

FINANCIAL TIMES

Wednesday November 28 1990

GATT

EC reels from low blows

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World News

Gorbachev warns force 'will be used against Iraq'

Military force will be used against Iraq if necessary, President Mikhail Gorbachev of the Soviet Union said, and he warned Baghdad not to test the world's resolve to expel it from Kuwait.

His toughest remarks yet during the Gulf crisis followed talks on Monday with Tareq Aziz, Iraqi foreign minister. Mr Gorbachev said talks with his former ally had been "difficult, I would even say harsh".

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Business Summary

Toyota set to spend \$800m and double US output

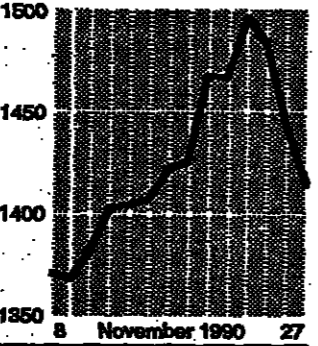
Toyota is to spend \$800m to double the capacity of its US car assembly plant in Kentucky to 400,000 a year. The announcement comes against the background of an already weak US new car market and slumping profits for General Motors, Chrysler and Ford.

GLAXO, Europe's third biggest flat glass producer, announced that it had made a major investment in Sklo Union, state-owned Czech glass company. Page 23

MARKETS: In Germany the DAX index closed another 27.90 lower at 1,415.56, for a three-day fall of 80.84, or 5.4 per cent and volume stayed sluggish.

Germany

DAX index



In New York the Dow Jones was up 7.38 at 2,540.35 by midday. In Tokyo the Nikkei closed 139.35 down at 23,623.51. The French CAC 40 index ended 1.32 down at 1,505.92.

ROSEHAUGH, UK property development group, announced a pre-tax loss of \$165.5m (\$34m) for the year ended June 30. Page 23

EASTERN Airlines, filing US carrier already in bankruptcy proceedings, asked the courts to release a further \$120m in order to keep it operating through the first quarter of 1991. Page 25

UNITED Distillers, Guinness spirits company, is to buy a 67.5 per cent stake in Asbach, producer of Germany's leading premium brandy. The price is understood to be around £100m (\$196m). Page 23

NORTHERN Feather Holding, Danish company whose collapse has shaken the Danish business world, will probably show negative equity capital when the accounts have been completed, receivers warned. Page 24

BENT Walker, UK leisure and property company which is struggling with a £1.4bn (\$2.7m) debt mountain, failed to complete a crucial £103.3m bond issue on time. Page 23

MR MITSUHIRO Kotani, Japanese stock market raider, pleaded guilty to manipulating the shares of a leisure company. Page 10

COLES MYER, Australian retail chain, forecast improved profits for this year provided trading during December is satisfactory. Page 25

US GOVERNMENT bond prices at the long end recovered from overnight and early session weakness to end higher at midday. Page 26

DUN & Bradstreet, leading business information group, has taken two subsidiaries off the auction block after failing to attract enough interest or offers from prospective buyers. Page 25

PERSTICO, US drinks multinational, received the go-ahead to end the Perrier mineral water group's 27-year-old contract to bottle and distribute Perrier-Cola in France. Page 24

CREDIT FONCIER de France, government-backed agency which finances housing and construction, was the focus of continuing controversy over the issue of Eurobond pricing and profitability. Page 27

Hurd and Heseltine withdraw from Conservative leadership battle and pledge support for new premier

Major to be UK prime minister

By Philip Stephens, Political Editor, in London

MR John Major, Britain's youngest prime minister for a century, pledged last night to reunite the Conservative party and lead it to victory at the next general election.

His decisive defeat of Mr Michael Heseltine, former defence secretary, in yesterday's Tory leadership ballot was followed by a promise to heal "totally and absolutely" the divisions opened by the enforced resignation of Mrs Margaret Thatcher.

Senior colleagues said his victory, at the age of only 47, would transform the Tories' electoral prospects. It had reopened the possibility of a general election in mid-1991. Mr Major instantly won warm endorsements from both Mr Heseltine and from Mr Douglas Hurd, the foreign secretary and his other opponent in the leadership race.

His first Cabinet, expected to be announced today, is likely to comprise a broad coalition from from all wings of the party. Mr Heseltine is likely to be offered a senior post.

Mrs Thatcher, forced out of the contest by Mr Heseltine last week, said: "I am thrilled and delighted John Major is to succeed me as prime minister." She offered him her full support during the leadership contest.

Mr Major has indicated that there will be no dramatic shift in policies under his premiership. But he is pledged to introduce a wide-ranging review of the community charge, the locally based tax; to inject more resources into the education system; and to restore party unity on the divisive issue of European integration.

Senior ministers who are expected to remain in Mr Major's cabinet said that the poll tax review was likely to cover three key areas: the possibility of a surcharge for

those on the highest incomes; the removal of some services such as education from local authority control; and the complete exemption from the tax from those on the lowest incomes.

Such radical changes might have to wait until after the general election but could be included as a firm promise in the Conservative manifesto. In the interim, there would probably be improvements to the present system of relief and rebates.

The 185 votes cast for Mr Major in yesterday's leadership ballot technically fell just short of the overall majority of 187 needed for outright victory. But Mr Heseltine, with 131 votes, and Mr Hurd, with 56 votes, immediately withdrew from the race and offered their support to the new prime minister.

Mr Heseltine, whose direct challenge to Mrs Thatcher had appeared to put him in sight of Downing Street, suffered from the backlash among Conservative activists in the constituencies. With Tory MPs seeking a leader who could reunite the party, Mr Heseltine's vote fell from the 152 he received in the first round.

Mr Major will travel to Buckingham Palace this morning when he will be asked by Queen Elizabeth to form a government. He is expected to announce his first cabinet later in the day amid a general expectation at Westminster that Mr Heseltine will be offered a senior post.

There was speculation that Mr Heseltine might replace Mr Kenneth Baker as party chairman, but there were also suggestions that he could be offered a range of other departments, including environment.

Senior ministers said that Mr Major was expected to resist pressure from the right



Britain's next prime minister, John Major, in London yesterday: his first act, to "absolutely win the general election"

of the party to exclude Mr Heseltine from the cabinet.

Mr Hurd appears certain to remain as foreign secretary. Mr Norman Lamont, chief secretary to the Treasury, has emerged as the favourite to replace Mr Major as chancellor of the exchequer, but Mr Kenneth Clarke, education secretary, and Mr Chris Patten, environment secretary may also be candidates.

Most of Mr Major's support in the leadership campaign came from the right of the

party, but throughout the contest he insisted that he was not in the "thrall" of those MPs who had previously backed Mrs Thatcher.

He is expected to stick with many of her policies, but to slow the pace of radicalism in many areas and to adopt a more pragmatic approach to issues such as privatisation, public spending and tax cuts.

Mr Major's victory marked the conclusion of the most meteoric rise in recent political history.

ON OTHER PAGES

■ Tory leader who rose without trace; New prime minister speaks his mindPage 10

■ How he won; Activists rally round; Tory Party seeks fresh start; The issues aheadPage 11

■ Opposition faces new challengePage 12

■ Will the real Mr Major stand up; Editorial Comment; ObserverPage 20

■ LexPage 22

Victory boosts hopes of positive attitude on Europe

STERLING strengthened amid hopes of an early cut in interest rates after Mr John Major's success in the Conservative party's leadership ballot.

Share prices in London are expected to be marked up in early trading today as financial markets interpreted Mr Major's victory as ushering in a new period of stability in UK politics and a more positive attitude to European economic integration.

Immediately after Mr Major's triumph, the pound added nearly half a cent in New York midway trading to about \$1.9800, before easing.

Against the German currency it climbed by half a pence before falling back close to its previous level at about DM2.922. Earlier in London, the pound closed about 1 cent up at \$1.9745, but it was about 1 pence down at DM2.9235.

Paul Cloutier, chief currency strategist at Citibank, the US bank said he thought the new government would cut the 14 per cent UK base rate by half a percentage point by mid-December. This would be after government figures are expected to show that the annual inflation rate is on a downward path.

Other economists said Mr Major's triumph could be the cue for a statement from the new prime minister about his commitment to Europe, a move which would reassure the markets.

"The City [of London] will welcome Mr Major as prime minister but the real problems of recession and rising unemployment remain," said Mr Neil Mackinnon, chief economist at the London office of Yamaichi, the Japanese bank.

Business leaders and city analysts greeted Mr Major's victory with a warm welcome. They expect him to maintain continuity with Mrs Thatcher's economic policies, while

enhancing the chances of a Conservative victory at the next general election.

Mr Major, who was always the City's preferred candidate and has won increasing support among industrialists in the last few days, won praise for his performance as chancellor and for his social vision of a classless society which would deliver social advancement on the basis of merit.

The gilt market rose slightly on the news of his victory but the market has risen four-points in value since Mrs Thatcher's resignation in expectation of a new leader. Traders

do not expect it to go much further. US investors were relieved that Mrs Thatcher's candidate won and thereby assured a continuation of her policies.

"We believe she's correct, Europe doesn't have a very attractive future and therefore a rush to join it would clearly be a mistake," said Mr James Coxon, senior vice-president at Cigna Investments.

However, the City's reaction was cautious. While most analysts expect a base rate cut before Christmas, they also stressed the electoral risks of the recession.

European car makers to form new grouping without Peugeot

By Kevin Done, Motor Industry Correspondent, in London

THE western European automotive industry moved yesterday to isolate Mr Jacques Calvet, chairman of Peugeot and the most vociferous opponent of Japanese car imports in Europe, by disbanding CCMC, the Committee of European Community Automobile Makers.

CCMC is the most prestigious pan-European auto industry organisation, grouping the chairman or chief executives of 12 leading European vehicle makers.

At a meeting in Paris yesterday a group including Mr Edward Reuter, chairman of Daimler-Benz, Mr Eberhard von Kuenheim, chairman of BMW, Mr Graham Day, chairman of Rover, Mr Raymond Levy, chairman of Renault, Mr Umberto Agnelli, vice chairman of Fiat, and Mr Pehr Gyllenhammar, chairman of Volvo, decided to form a new European auto industry organisation to replace CCMC.

The row erupted over Mr Calvet's refusal to accept the principle of majority voting in CCMC in place of the present

system of unanimous decision-making. CCMC comprises 12 members, the chairman or chief executives of Daimler-Benz, BMW, Volkswagen, Porsche, MAN Nutzfahrzeuge, Rover, Volvo Car BV, DAF, Fiat, Rolls Royce Motor Cars, Renault and Peugeot.

In the face of Mr Calvet's veto of majority voting, the other 11 members decided to resign from the organisation.

Mr Eberhard von Kuenheim, the longest-serving European motor industry leader, said he was given the task of forming a replacement organisation.

European car makers have been dismayed at the inability of CCMC to become an effective voice for the European auto industry, not least in Brussels, because of the power of Mr Calvet's veto.

They are particularly concerned about the rapid development of the Japanese auto industry's lobbying power in Brussels. Japan's Japan Automobile Manufacturers Association, has moved its

main European lobbying organisation to Brussels last year.

It was claimed last night that the European auto industry had been prevented from taking a common stance on issues such as Japanese car imports and the building of Japanese car plants in Europe, common vehicle specifications, and on environmental and safety regulations, because a single vehicle maker could block any new policy moves.

The European vehicle makers have now decided to adopt a system of qualified majority voting (80 per cent majority) in their new organisation.

In a further move the 11 car makers, minus Peugeot, have also decided to invite GM and Ford to join their ranks.

Hitherto, both General Motors and Ford of the US have been barred from becoming members in CCMC, despite the fact that they account for more than 20 per cent of the European car market and have fully fledged vehicle operations in Europe.

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Old enemies find only one way to run a central bank

A parting gift from Chile's outgoing leader, Gen Pinochet (pictured, left), in the form of an independent central bank is winning plaudits in the Third World.

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MARKETS

STERLING New York lunchtime: \$1.9775 London: \$1.9775 (1.9855) DM2.9225 (2.9325) FF4.985 (5.005) SF2.4975 (2.49) £ Index 94.5 (94.5)	DOLLAR New York lunchtime: DM1.477 FF4.9855 SF1.2557 Y128.25 London: DM1.48 (1.492) FF4.9925 (5.03) SF1.259 (1.267) Y128.3 (128.75) £ Index 90.0 (90.3) Tokyo close: Y128.95 US lunchtime rates: Fed Funds 7 3/4 % 3-mo Treasury Bill: yield: 7.234% Long Bond: 103 1/2 yield: 8.411%	STOCK INDICES FT-SE 100: 2,159.5 (+7.6) FT Ordinary: 1,693.7 (+1.1) FT-A All-Share: 1,038.59 (+0.3%) New York lunchtime: DJ Ind. Av. 2,359.60 (+6.43) S&P Comp 917.25 (+0.74) Tokyo Nikkei 23,623.51 (-139.55) LONDON MONEY 3-month interbank: closing 13 1/2 % (13 1/2 %) Libor long gilt future: 87 1/2 (87 1/2)
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EUROPEAN NEWS

UN economic commission calls on west to provide short-term financial relief

E Europe's industrial output down 18%

By William Dullforce in Geneva

INDUSTRIAL production in eastern Europe during the first nine months of the year was more than 18 per cent lower than in the corresponding period of 1989, according to the secretariat of the United Nations Economic Commission for Europe (ECE). Declines varied between 4 per cent in Czechoslovakia and 27 per cent in Poland.

For 1990 as a whole the secretariat's latest bulletin forecasts an average slide of 20 per cent in industrial output and one of 11 per cent in net material product (aggregate net value added in the sphere of goods, the standard measure of output) in eastern Europe.

The ECE calls on western governments and international institutions to give "immediate attention" to short-term financial relief for the countries of the region and to decide how they can better co-ordinate the present multiplicity of western aid programmes.

It warns that, with the people of eastern Europe and the Soviet Union facing their hardest winter since the end of the war, the reform process could fail with "incalculable" consequences.

The grim picture of economic developments in the first nine months includes an average 20 per cent collapse in fixed investment in eastern Europe and a 12 per cent decline in the Soviet Union.

Inflation is high and accelerating throughout the region with double-digit annual rates in most, perhaps all, countries. Rough but conservative estimates put the number of registered unemployed at 2.5m in eastern Europe, with a further 2m in the Soviet Union. In Poland alone the number has climbed from 56,000 in January to more than 1m in October.

The ECE secretariat distinguishes two groups of countries. In Poland, Hungary, Czechoslovakia and the former East Germany, the slump reflects the impact of stabilisation policies and efforts to speed economic change. But the problems of these countries have been exacerbated by a "multiple energy shock" and by the breakdown of Comecon.

In the Soviet Union, Bulgaria and Romania the deteriorating situation reflects a "collapse of central control and a failure to



Gloomy outlook for eastern Europe's industry as further production cuts are forecast

embark on an effective reform programme".

The ECE highlights the oil shock to which the east Europeans are being exposed by the decision of the Soviet Union, which supplies some 80 per cent of their oil needs, to con-

duct trade with them from January at world prices and in convertible currency. In 1989 the transferable ruble price the east Europeans paid for their oil was equivalent to \$7-\$8 a barrel, the ECE calculates. An increase from

\$7.50 to \$16, the world market price before the Gulf crisis, would have in itself been proportionately larger than the price increase western economies have had to face since the crisis began.

Following the collapse of

Comecon trade, Czechoslovakia, Hungary and Poland have had limited success in finding new outlets in the west for their products. Hungary managed to offset about a third of the fall in its Comecon exports by boosting deliveries to the west in the first half of 1990. Helped by a large devaluation of the zloty, Poland's westwards exports grew by 24 per cent in volume.

However, against an average increase in volume of around 5 per cent in exports to the west for eastern Europe as a whole, imports increased sharply by 20 per cent in the first half. The trade balance with the west swung into deficit for the first time since the early 1980s.

The current account deficits of eastern Europe and even more of the Soviet Union have worsened this year at the same time as the cost of new credit has increased, with western commercial banks becoming more cautious in their lending. Most countries have had to draw on their official reserves.

panies could expect generous backing from Hermes, the export credit guarantee company, for Soviet trade.

This amounts to a relaxation of the Government's previous opposition to subsidising east bloc trade.

● The financial needs of the newly liberated countries of east Europe are tremendous, possibly as much as Ecu1,000bn (\$707bn), according to Mr Jacques Attali, president designate of the European Bank for Reconstruction and Development, writes David Lascelles, Banking Editor.

He told the annual session of the North Atlantic Assembly in London yesterday that failure by the west to aid these countries in their transition to democracy "would be dangerous for the whole world".

Brussels blocks nappy tie-up

By Lucy Kellaway in Brussels

THE EUROPEAN Commission has intervened to prevent what it fears could be a near monopoly in disposable nappies in certain parts of the Community.

Its action means that Procter & Gamble, the US health products company, will have to delay plans for a joint venture with Finat, the big Italian nappy-maker.

The Commission fears that the effects of the deal would be anti-competitive and illegal under Articles 85 and 86 of the Treaty of Rome.

The arrangement between the two companies, which was struck in September, would have given Procter & Gamble's Pampers and Finat's Lines a near monopoly of the Italian market.

The joint venture has alarmed Peardouze, the French nappy-maker, which fears that its strong position could be threatened by the merger, and has complained to the Commission.

The deal between the two companies would consist in setting up nappy joint ventures in Italy, Spain and Portugal and would also involve the acquisition by Procter & Gamble of Finat's subsidiary in the United Kingdom.

The market for disposable nappies in Europe is showing strong growth, and is already dominated by a small number of companies.

The announcement of the deal between the two companies was made just before the EC's new merger regulation - which allows the Commission to take action over certain anti-competitive joint ventures - came into effect.

Commission spokesman said yesterday that the inquiry would take place under the Treaty of Rome's competition rules.

The deal will remain suspended until a satisfactory agreement has been reached between the Commission and the two giant nappy-makers that will safeguard competition in the market.

Serbian poll saved after opposition wins concessions

By Laura Silber in Belgrade

OPPOSITION parties in the Yugoslav republic of Serbia yesterday reversed their decision to boycott the first multi-party elections in 50 years after forcing concessions from the ruling communists.

More than 30 anti-communist parties said last week they were pulling out of the elections after the Serbian parliament, dominated by the communists (renamed socialists), refused to let opposition representatives take part in vote-counting after the poll on December 2.

The opposition had expressed fears that the communists would try and rig the voting.

Faced with the boycott, the parliament of Yugoslavia's largest republic agreed on Monday to amend the electoral law to allow opposition nominees onto electoral commissions.

However, parties representing 2m ethnic Albanians in Kosovo, which was forcibly integrated into the republic of Serbia, are continuing to boycott the election. Mr Veton Surroi, an Albanian opposition leader, said: "we will not participate in Salvadorian-style elections, under this virtual

state of emergency." The election is turning out to be a clear-cut race between Mr Slobodan Milosevic, the president of Serbia, and Mr Vuk Draskovic, Mr Milosevic's arch nationalist who rose to power three years ago. He won great popularity among Serbs by taking away autonomy from Kosovo.

However, his popularity has slumped since he won 104 per cent of the vote in a one-party election in November last year.

Mr Draskovic, head of the Party for Serbian Renewal, has combined Serbian nationalism with anti-communism.

In doing so, he has forced Mr Milosevic to present himself as the candidate of moderation and the status quo.

On a rare public appearance last Friday, Mr Milosevic warned that an opposition victory would mean bloodshed. The threat has fuelled fears that the army will intervene if the communists are defeated in the elections.

From within the ranks of the army, about 80 generals and Mrs Mirjana Markovic, wife of Mr Milosevic, founded a political party which could act as the army's political front in the event of a coup.

Nice airport strike called off

By William Dawkins in Paris

STAFF at Nice airport, France's largest regional airport, yesterday ended a 12-day strike, called to protest against Air France's decision to scrap seven international routes from the city.

The stoppage came after Air France promised to reconsider whether it would take over the freight operations of UTA and Air Inter, its two main French competitors which it acquired this year, and gave guarantees to keep the jobs of some temporary workers.

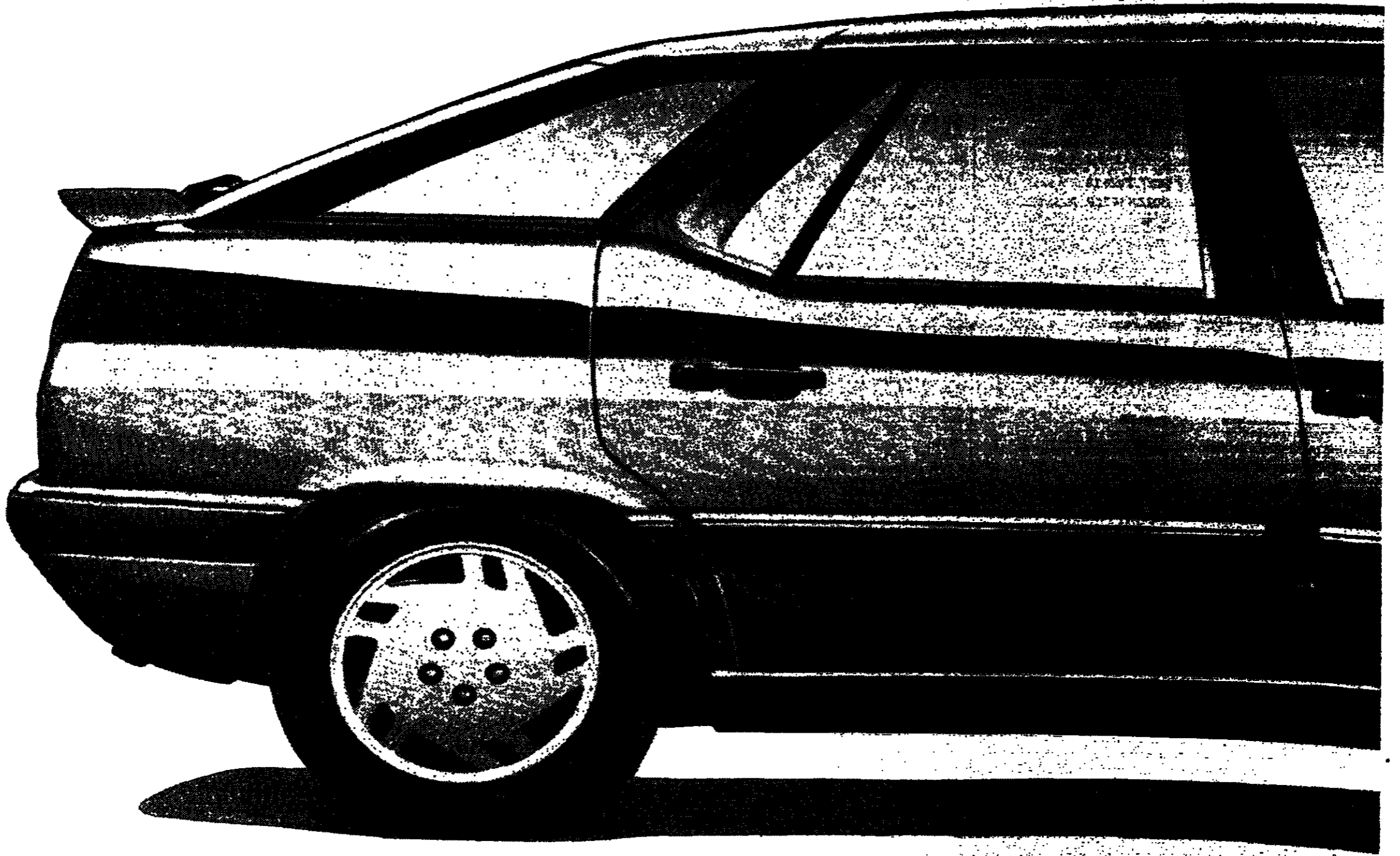
The reductions are part of a complete overhaul of Air France routes, to cut losses-makers in the face of rising fuel and insurance costs.

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مكتبة

Soviet duo near and yet so far apart

By Leyla Boulton in Moscow

PRESIDENT Mikhail Gorbachev yesterday sat alone in a balcony flanked by a Soviet flag yesterday, looking down as Mr Boris Yeltsin, the Russian leader, went into battle against conservatives in the parliament below.

The extraordinary scene at the specially convened Russian Congress of People's Deputies summed up just how far apart the country's two most powerful leaders are despite the fact they need each other badly.

Mr Yeltsin opened the session with an appeal for deputies to approve sweeping land reform in order to feed the 147m-strong Russian Federation, the biggest Soviet republic.

"There can be no real democracy and real freedom where shop shelves are empty and there are ration cards and coupons," he said.

If approved by the congress, the land reform would allow peasants to acquire land for the first time since private ownership was crushed by collectivisation in the 1930s.

He also rejected Mr Gorbachev's references to a "political struggle" between them.

"Russia learned from experience that political struggle has no future and is very expensive," he said.

But no sooner had Mr Yeltsin finished speaking than hardline Communists began insisting that the congress tackle other issues, in particular Mr Gorbachev's proposed union treaty.

It must have been a pleasant



Russian president, Mr Boris Yeltsin, addresses yesterday's special congress

reversal of roles for Mr Gorbachev, who has often been attacked over the past few months by both radicals such as Mr Yeltsin and conservatives such as Mr Ivan Polozhkov, who spearheaded yesterday's opposition to the land reform project.

"There can be no real agrarian or economic reform without resolving the question of Russia and the union," said Mr Polozhkov, head of the new Russian Communist Party.

Mr Yeltsin, who is by far the country's most popular politician, countered that the treaty was not ripe for a decision by the congress.

But he was forced into a tactical retreat by the large number of conservatives in the hall, when he proposed that

the treaty become the subject of "an exchange of views" during the two-week congress.

Mr Gorbachev presented the draft treaty to the country on Friday, saying he was sure that all republics would end up signing it.

But Mr Yeltsin does not want to sign the treaty until he has agreed with the Kremlin on how to share out both power and resources on Russian territory.

Mr Gorbachev, who strolled around the lobby during the lunch-break with barely a bodyguard in sight, told reporters that negotiations with Russia would be "the most painful".

He said the union as it had existed for 70 years was badly in need of reform.

"But if we replace the union dictated by local dictat then the situation will be even worse," he said.

He also challenged independence-minded Balts and Georgians, who do not want to sign the treaty, to conduct a referendum on the issue.

● The Soviet Union expects to receive western credits to meet urgent food needs this winter, Foreign Ministry spokesman, Mr Vitaly Churkin, said yesterday. Reuter adds from Moscow.

Mr Churkin told reporters after a news conference that the Supreme Soviet would give a full report on what supplies were needed in the next two weeks. It would also give details of the expected suppliers, he said.

Italy joins agreement to relax frontiers

By Ian Davidson in Paris

ITALY yesterday became the sixth European Community member to sign the Schengen agreement, which will permit the abolition of all internal frontier controls preventing the movement of people after 1992.

In addition, Spain and Portugal yesterday joined the Schengen system as observers, with the clear intention that they should eventually become full members.

The Schengen agreement of 1985, and the implementing convention signed last June, provide for the suppression of frontier controls in exchange for extensive co-operation on immigration, asylum and police policy.

The five original signatories were France, Germany and the three Benelux countries.

Mrs Elisabeth Guigou, the French European affairs minister, hoped the Italian accession would be a prelude to an agreement between all 12 member states.

However, Britain has made clear that it opposes the removal of border controls within the EC, and intends to maintain its own controls for the purpose of controlling immigration.

The Schengen system has been designed to ensure that the member states can move without risk to a single market for the free movement of people.

The move would thus parallel the single market for the free movement of goods, under the Community's 1992 programme.

To prevent the spread of criminality or clandestine immigration between member states, there has been an agreement to adopt a common visa and asylum policy, to share crime data, and to permit police pursuit of criminals across frontiers.

At yesterday's meeting, the six member states discussed a German request for the joint abolition of short-term visas for visitors from Poland.

Mrs Guigou indicated that the whole Community would be affected by such a move, which ought preferably to be decided by the 12.

EC urged to help eastern Europe's economic growth

By John Wyles and Sari Gilbert in Rome

THE European Community's plan to negotiate special association agreements with Poland, Hungary and Czechoslovakia is "incomplete" and needs the addition of an institutional framework, Mr Renato Ruggiero, Italy's minister for foreign trade, said here yesterday.

However, Mr Horst Krenzel, director general of the European Commission's external relations directorate, said negotiations with Poland, Hungary and Czechoslovakia should begin before the end of the year. But future membership of the EC is not the ultimate objective of the agreements to be reached, he said.

Opening the second day of the Financial Times conference on Business in central and eastern Europe, Mr Ruggiero argued that the EC should encourage collaboration between the three east European countries to help solve their problems in moving to a market economy.

He suggested that there should be a parallel to the Organisation for European Economic Co-operation, which was set up with US encouragement after the last war.

A similar intra-European body would produce "common development programmes" for both halves of Europe, he said.

Urging the EC to take a leadership role in helping the USSR and eastern Europe through their difficult transitions, Mr Ruggiero said the immediate tasks were the sending of food aid to the Soviet Union, balance of payments aid for central and east European countries - whose total financial requirements in 1991 would be around \$15bn - and the launch of a "human Marshall Plan" to supply technical and managerial resources to develop local "knowhow".

But Mr Oleg Mozhaevskov, a board member of the USSR State Bank, gave a gloomy picture of the threat posed by political and economic separatism to efforts to create a market-oriented financial system in the Soviet Union.

It was misleading now to talk of 15 Soviet republics: there were actually more than 50 "subjects of the federation" which are national republics enjoying equal political treat-

ment within the union. Many were now claiming the right to have their own central banks with currency-issuing rights.

"The Soviet Union's transformation in just two years from a safe-country risk for private commercial bankers to one in which the prospects for new loans 'are very poor' was dwelt upon by Mr Axel Lebach, director of Deutsche Bank's central international department.

"It is important for Moscow and the republics to decide where they want to go because otherwise we cannot decide what we can do to help them," he said.

Earlier, Count Giovanni Auletta Armenise, chairman of Banca Nazionale dell'Agricoltura and the conference chairman for the day, said that the

economic reform.

The transfer of both technology, including environmental protection techniques, and management skills will lead to further growth. And the vast financial facilities that are being established will transform the area as long as they are directed into investment rather than consumer goods. The west "can't afford large-scale financing into stomachs", he said.

In a speech read in his absence, Mr Sergio Pininfarina, president of Pininfarina SPA and Confindustria, said that although the economic situation was unlikely to improve in the immediate period, the process of change in central and eastern Europe was "irreversible" and that Italy was in a good position to expand its presence in eastern European markets and take advantage of the new opportunities there.

The final address to the conference was made by Mr Franco Nobili, chairman of IRI, who spoke of the challenge eastern Europe posed to the west and to Italy.

He said that Italy has long been an important trade partner for eastern Europe. The new credits and the recent establishment of Simest, an agency designed to encourage co-operation among medium-sized Italian and east European companies, will provide enterprises with new opportunities.

Mr Nobili warned, however, that so far Italian industry had failed to co-ordinate attempts to penetrate the new markets.

But the real challenge for Italy would be to find the necessary resources for expansion at a time when the Italian public sector deficit was equal to 10 per cent of gross domestic product while the public debt equaled GDP in size.

Other disadvantages were the meagre investments in research, which meant Italy had little technology to offer its new eastern partners.

The large trade deficit vis a vis the Soviet Union is also a problem. But several factors were working in Italy's favour, namely its expertise in innovative productive processes, and the fact that Italy's principal competitor in the area, Germany, is involved in the reunification process.

Airbus joins the legal proceedings over crash

By Paul Belts, Aerospace Correspondent, in London

AIRBUS INDUSTRIE is joining in the French criminal proceedings over the crash of an Airbus A320 two years ago at an air show in eastern France.

Magistrates are considering whether to charge the two pilots and other officials involved with manslaughter. Three people died in the crash.

An official inquiry blamed the crash on the pilots for flying too low and concluded there was nothing wrong with the A320.

However, Airbus says it has been the victim of an "orchestrated campaign" in France

and abroad to undermine the consortium and its best-selling aircraft.

It is joining the proceedings to protect its interests.

As an interested third party, it wants to gain access to evidence and other details of the case being prepared against the two pilots in order to protect the interests of the consortium.

Airbus said yesterday that it has pioneered fly-by-wire computer controls in civil aviation.

Pöhl warns against G7 action on dollar

By William Dawkins in Paris

THE GERMAN Bundesbank, yesterday delivered a rebuttal to calls by Mr Pierre Bérégovoy, the finance minister, that the Group of Seven leading industrialised countries try to halt the dollar's plunge.

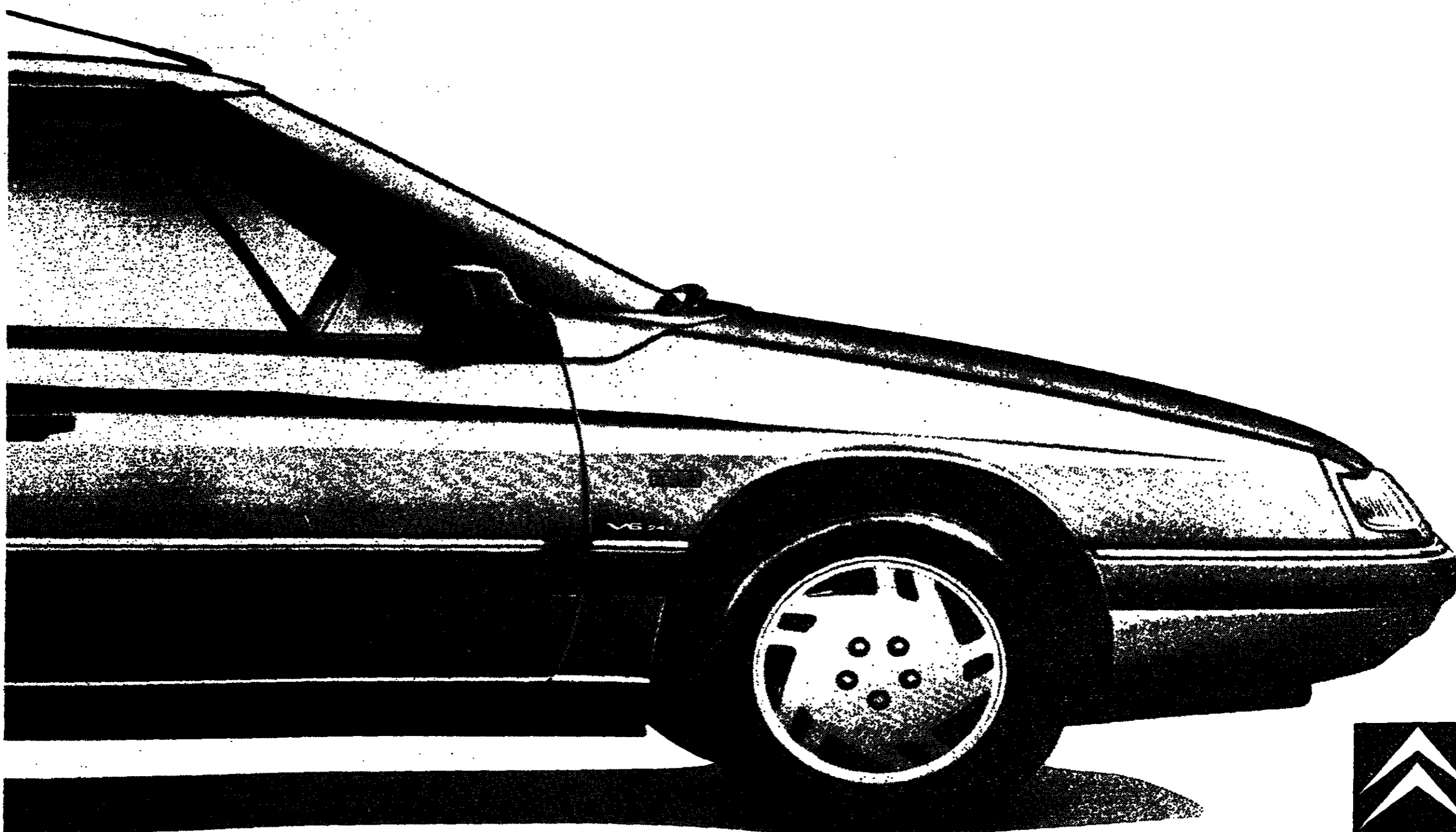
It was better to handle exchange rate co-ordination privately, rather than resorting to political declarations, Mr Karl-Otto Pöhl, the Bundesbank president, told the Figaro newspaper. "It does us no service to talk publicly of these problems. We are in contact with our US colleagues without

need for spectacular meetings for our co-ordination," he said.

The tone, as much as the content, of Mr Pöhl's words is likely to irritate a French government which was yesterday keeping to its position that a G7 meeting was necessary. The French are also keen to provide a balance to the Bundesbank's dominance of European monetary policies.

Foreign exchange markets had "reacted naturally" to the fact that "the US is on the edge of a recession, while Germany is having a boom," he said.

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WORLD TRADE NEWS

Declared stances must be dropped to win trade pact, says Dunkel

By William Dullforce in Geneva

THE FAR-REACHING liberalisation of world trade, under negotiation for four years, now depends on governments abandoning their declared positions, Mr Arthur Dunkel, Gatt Director-General, said yesterday.

World trade ministers had to find a way out of the crisis, into which Gatt's Uruguay Round has fallen, in the "first hours, first days" of their scheduled five-day meeting in Brussels, starting on Monday, Mr Dunkel added.

His call underlines the fragility of hopes for a breakthrough

in agriculture in the "first hours, first days" next week. He was presenting the 360-page final document, embracing 21 potential agreements, to be tabled in Brussels. It contains no results on farm trade reform, trade-related investments and anti-dumping moves. All the draft agreements in the other 18 sectors are speckled with options from which ministers must choose.

On breadth of the areas covered and high quality of the work achieved, the final document had no precedent in trade negotiations, Mr Dunkel said.

But the ministers had swiftly to unblock impasses in crucial areas such as farm trade, services and textiles. Mr Dunkel did not name the governments which must change policies, but was clearly referring chiefly to the EC in agriculture and to the US in services.

In place of an agreement on farm reform, the final document includes nine questions which Mr Dunkel has posed to the trade ministers as an agenda for discussion, and a way of stopping the talks "continuing to run in circles". The document summarises

the farm reform offers submitted by 17 participants and reprints the draft text of an agreement drawn up by Mr Aart de Zeeuw, chairman of the farm negotiating group. Leaders of the G-7 industrial powers agreed in July that the de Zeeuw text should be used "as a means to intensify the negotiations".

Mr Dunkel's questions aim first at compelling ministers to agree a standstill on farm assistance and to determine the bases for cuts in internal supports to farmers. He then calls for explicit answers to the

two most controversial questions, whether separate commitments are to be made to reduce border protection and export subsidies.

So far, the EC has seen changes in these two areas as emerging from its offer to cut by 30 per cent its internal supports for primary commodities. The US and the 14 farm-exporting nations of the Cairns Group have stood firm for explicit commitments to cuts in all three areas, including cuts of 50 per cent in export subsidies and 75 per cent in border barriers. EC trade and

farm ministers will hold a council on Sunday evening but, reports from Paris say, are unlikely to agree any change in the EC position then.

Mr Louis Mermaz, France's agriculture minister, on Monday encouraged farmers to stage a huge demonstration in Brussels. This could help the EC fend off calls for deep cuts in farm subsidies, he said.

On services, the second most controversial issue in the round, the final document asks world trade ministers to settle the crucial question of whether Gatt's most-favoured-nation

(MFN) rule is to be included as an overall obligation in a General Agreement on Trade in Services (GATS).

Under MFN, a government must extend to all other countries benefits extended to one. The US put the services talks into deadlock by insisting that governments should retain the power to decide whether or not to extend benefits negotiated with one country to others. The draft GATS omits financial services. The content of a financial services annex depends on how the MFN issue is settled, the document says.

Italians may buy German companies

LEADERS of Italian public and private industries, with Mr Renato Ruggiero, foreign trade minister, fly to Berlin today to examine buying companies under Germany's privatisation programme. John Wyles reports from Rome.

The 60-strong mission follows an appeal by Chancellor Helmut Kohl for Italian involvement. Mr Ruggiero said grants of up to 25 per cent of the purchase price and 6 per cent loans were attractive incentives.

World trade 'should stay buoyant despite Gulf crisis'

WORLD TRADE FLOWS should remain buoyant this year despite the Gulf crisis and the sharp rise in oil prices, the General Agreement on Tariffs and Trade (Gatt) reports today, Peter Montagnon writes.

It expects world trade volume to grow about 6 per cent this year, against 7 per cent in 1989 and 8% in 1988. In the first half, trade volume rose was marginally below last year's level, but the growth rate could slow if oil-importing countries cut other purchases and oil exporters do not spend revenue earned from higher prices.

The medium-term outlook is clouded by the possibility that interest rates may have to rise if savings rates stay at current levels. This would curtail investment plans and cloud

growth opportunities, Gatt says.

It reports the value of world trade up 7½ per cent to a record \$3,100bn (\$1,611bn) last year. Though growth was barely more than half the 14 per cent rise recorded in 1988, it was still above the average for the decade as a whole.

The US displaced Germany as the world's biggest exporter, with exports worth \$364bn, giving it an 11.8 per cent share in world merchandise trade. Japan came third, with France and the UK fourth and fifth respectively.

Commercial services trade, including transport, telecoms, banking and insurance, grew 9 per cent to an estimated \$680bn last year, accounting for nearly one-fifth of world exports. Gatt says manufactured exports were the main

motor for trade growth last year. Manufactures now account for 70 per cent of world merchandise trade and this group contributed 80 per cent of 1989's trade volume rise.

Higher oil prices lifted the value of trade in mining products, though volume growth in this sector slowed. By contrast, weak prices slowed trade growth in farm products, though their volume rose more rapidly.

Taking the 1980s as a whole, trade volume rose 50 per cent and its value, measured in dollars, by three-quarters. From 1983 on, trade grew faster than economic output, making it a motor for economic integration.

The analysis suggests there may be less to fear from the

creation of regional trading blocs than some have suggested. Trade flows between west Europe, North America and Asia grew on average faster than trade within those regions in the 1980s, suggesting the evolution not of inward-looking trade blocs, but of trade centres with world-wide commercial interests.

The choice facing other regions is not to align with any special bloc but to base their development strategy on access to the entire world market. The report points to the growing importance of foreign direct investment, the stock of which it says more than doubled to around \$1,500bn in the 1980s. Services-sector investment had shown the most significant growth.

*International Trade 1989-90.



Volume I. Available from the General Agreement on Tariffs and Trade, Centre William Rappard, 154, rue de Lausanne, 1211 Geneva 21, Switzerland. SFr30.

Australia softens attack on EC over Uruguay Round

AUSTRALIA yesterday toned down its criticism of the EC's approach to the Uruguay Round of trade talks, and indicated a compromise between the EC and the Cairns Group of 14 agricultural producers might still be possible, Kevin Brown writes from Sydney.

Mr Neil Biewett, Australia's trade negotiations minister and chairman of the Cairns Group's trade ministers, repeated warnings that the round could fail without agreement on agriculture.

But he said there was "no point" in threats by some Latin American members of the Cairns Group to force the round to a crisis by walking out. He indicated Australia was ready to compromise with the EC on the depth of cuts in internal subsidies and export

support payments, the issues at the heart of the dispute.

"We are prepared to be flexible. But we expect the same flexibility from the Europeans. We recognise we have to try to pursue a compromise, but a compromise is not one group moving from their position simply to accept the position of another."

Several weeks might be needed for further talks with the EC after next week's Brussels ministerial meeting.

His comments mark a change in the Australian approach. The Cairns Group has proposed a 75 per cent cut over 10 years in farm-product subsidies and protective tariffs, and a 90 per cent cut in export support payments over the same period. The US has tabled broadly similar proposals.

Volvo drops US plan VOLVO of Sweden has decided not to share in US General Electric's \$1.5bn (£760m) programme to develop a new large thrust commercial jet engine, the GE90, Paul Betts reports.

Success of France, Fiat of Italy and IHI of Japan have all agreed to join GE in developing the engine to equip the new generation of wide-body aircraft. Volvo had decided to pull out of the talks because it could not commit itself at this stage to another aero-engine programme.

Belgian credits move Belgium is considering plans to put its export guarantee arm, the Office National du Recouvrement (OND), on a sounder financial footing, David Buchanan reports from Brussels.

The OND has had to borrow on the capital markets to cover had export risks in developing countries and eastern Europe, and now has barely enough premium income from insurance premia and debt repayments to service its Bfr7bn (\$283m) debt. The government is considering "buying" out the bulk of this debt with a 30-year, fixed interest rate loan of Bfr12bn. Some of this will be forgiven.

EC 'dumping' check THE European Commission is to investigate alleged dumping of silicon metal in the EC by Brazilian producers, Lucy Kellaway reports from Brussels.

The investigation follows a complaint from EC steel alloy makers alleging imports from Brazil have grown sevenfold between 1985 and 1989.

'Progress uneven' in loosening telecom monopolies' grip

INDUSTRIALISED countries have made uneven progress in loosening the grip of national telecommunications monopolies, an Organisation for Economic Co-operation and Development (OECD) report warns today, William Dawkins reports from Paris.

The study, for a meeting of officials from the OECD's 24 member countries to discuss telecoms policies, starting today, is satisfied that "competition, once the exception in telecommunications, is quickly becoming the norm." Yet market distortions still exist, to the cost of consumers and suppliers

seeking to break into smaller or less liberal countries.

The OECD finds "little justification for the wide range" in phone charges between different countries; it says the system for setting international call rates unfairly penalises operators with low charges, telecoms authorities sometimes publish misleading advertising on the quality of services, and "considerable scope for reform" of type-approval procedures exists.

Generally, phone calls are cheaper in northern than southern Europe. Internal busi-

ness calls in Turkey cost 10 times as much as in Iceland. On average, German charges are twice those in Denmark, Sweden and Finland. "High charges... are more than just an inconvenience; they can seriously damage competitiveness of firms and constrain social interaction."

The study disapproves of the present system for setting international rates. This penalises countries which generate more outgoing than incoming calls, so amplifying telecoms trade imbalances, and this will get worse unless a fairer system can be devised. It will be

discussed in the current Uruguay Round, which will try to set Gatt rules for telecoms, assuming the farming impasse can be resolved.

The study criticises the time and expense of getting foreign equipment approved for sale; it can take on average four months and cost \$5,000 (\$2,551) across the OECD. The costliest country is Norway, where suppliers must pay nearly \$14,000. France is slowest, with an average 150-day wait for approval. Germany and Japan showed the biggest rise in applications for type approvals, after deregulation, but these

have been stagnant in smaller OECD countries.

The growing imbalance in the \$13.2bn OECD telecoms equipment export market "needs to be a major topic of discussion". Japan's share of the OECD equipment market doubled to 34 per cent for 1980-1987, while the EC's share fell from 53 per cent to 39 per cent. British Telecom had the highest net profit margins of any operator in the OECD two years ago. France Télécom had the lowest.

*Communications Outlook 1990; OECD, 2 rue André-Pascal 75775 Paris Cedex 16.

Fresh drive for talks on N America free trade pact

TRADE ministers from the US, Canada and Mexico are setting up a trilateral meeting during next week's Uruguay Round meeting in Brussels to give new impetus to talks on a North American free trade pact, Bernard Simon reports from Toronto.

A Canadian trade official said yesterday the ministers would review work done by officials of the three countries over the past two months in laying out a framework for substantive negotiations towards a trilateral agreement. The formal talks are expected

to get under way next spring. Ottawa is pressing ahead with the negotiations, despite considerable domestic opposition. The government believes a trilateral agreement can be achieved by the end of 1991.

Canada's two-way trade with Mexico totalled \$22.5bn (\$11m) last year, equal to over 1 per cent of its trade with the US. Motor vehicle components are the biggest item in both directions, and Canadian unions are especially concerned about the future of Canada's relatively high-cost motor industry under a free trade arrangement.

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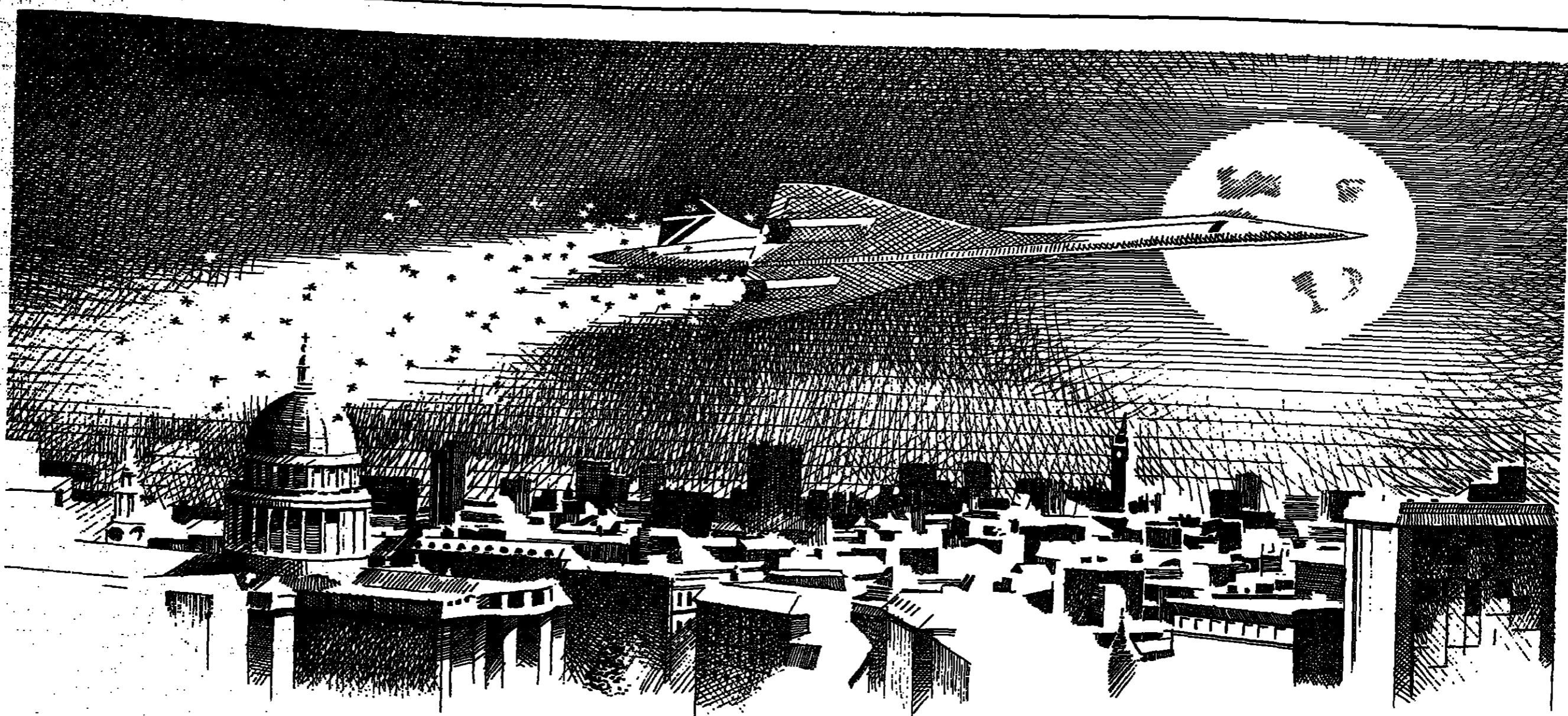
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AMERICAN NEWS

Congress reviews Bush policies on Gulf

By Peter Riddell, US Editor, in Washington

THE US Congress yesterday started a review of the Bush administration's Gulf policy amid increasing fears among legislators about the possibility of a war early next year.

Senior officials have declined to appear until after a United Nations Security Council resolution authorising the possible use of force is approved, probably late tomorrow.

Both Mr Dick Cheney, the defence secretary, and General Colin Powell, chairman of the

joint chiefs of staff, will testify on Monday before the Senate Armed Services Committee, while Mr James Baker, the secretary of state, will appear before the Senate Foreign Relations Committee in a week.

Senator Sam Nunn, the influential Democratic chairman of the Senate Armed Services Committee, said the administration's decision nearly three weeks ago substantially to increase the number of troops in the Gulf was "a

fundamental shift in the mission of US military forces" away from deterring further Iraqi aggression to a military aim of liberating Kuwait.

The senator said several questions had to be answered, including whether it was in US vital interests to liberate Kuwait through military means by a largely American military force, how long it would be possible to sustain a force of more than 400,000 troops in Saudi Arabia,

whether President Bush had limited US options by creating a "use it or lose it" situation, how durable the multinational coalition was, and what should be the ultimate US objectives in the region.

He argued that the likely UN resolution "is not a substitute for fully informing the American people of our own nation's objectives and strategy."

The question was not whether military action was justified but whether it was

wise at this time and in the US national interest, the senator concluded.

The committee will this week hear from a variety of former senior officials and service chiefs, and from intelligence and strategic experts.

Senator Edward Kennedy said: "It is not enough for President Bush to go to the UN to get approval for the use of military force in the Gulf. He must also come to Congress."



In the swing, George Bush enjoys a rodeo organised by Mexican President Carlos Salinas

Mexicans welcome 'era of US respect'

By Richard Johns in Monterrey

A "NEW ERA" has begun in Mexican relations with the US, based on reciprocal respect, President Carlos Salinas de Gortari said yesterday at a euphoric summit meeting with President George Bush.

The meeting has created a positive atmosphere before negotiations on a free-trade agreement (FTA), due some time next year.

In an exchange of addresses from the balcony of the state of Nuevo Leon's gubernatorial palace, Mr Salinas attributed the dramatic improvement during the two-year life of the respective administrations to the understanding and sympathy shown by Mr Bush to Mexico.

Earlier though, in the village

of Agualeguas, the Salinas family's ancestral home, a sober note was sounded by Mrs Carla Hills, US trade representative, who warned there could be no guarantee of the US Congress approving a "fast-track" approach to trade negotiations.

She said everything would be open to discussion and it had not been decided whether US access to Mexican oil reserves would be covered.

Mr Bush put the emphasis during his talks with Mr Salinas on working towards "free and open trade, so vital to creating jobs in your economy and our own."

Among the issues being discussed were reconstruction in central America, restoration of stability in the Gulf and successful conclusion of world trade talks.

The US has already insisted on completion of the Uruguay Round bargaining within the General Agreement on Tariffs and Trade taking precedence over FTA talks.

Canada's status or participation remains unresolved and is a potentially thorny issue between Washington and Ottawa. Mexico wants to start off on a strictly bilateral basis while Canada, having reached agreement on negotiations over a parallel and complementary FTA accord, wants to be as fully consulted as possible.

Peru budget seeks to raise taxes

By Sally Bowen in Lima

PERUVIANS will face a three-fold rise in taxes next year if budget proposals which were presented to Congress late on Monday are approved.

The proposals will mean taxation levels equivalent to 12 per cent of GDP (gross domestic product) or about \$5bn for fiscal 1991. This would be higher than Peru's total income from exports - which is projected at \$3.48bn for next year.

In an eight-hour presentation to the joint budget commission of Senate and Deputies, Mr Juan Carlos Hurtado Miller, the premier and minister of the economy, promised to present a series of detailed tax reform proposals by the end of this week.

Peru's current wide range of taxes is expected to be slashed to nine or 10, but economists question the ability of Peru's tax administration to collect the monies.

If approved as presented, the budget will amount to some \$4.5bn. It envisages a modest 2.8 per cent growth in production for 1991 and allocates 28 per cent of the total to national security.

About \$747m, equivalent to 13 per cent of GDP, would be designated for external debt servicing.

The budget proposals are based on an exchange rate of around 600,000 intis to the dollar for next year, compared to the present rate of 435,000.

Last week Peru adjusted the inti against the dollar from the previous rate of 432,906.

Newly constituted regional governments are highly likely to challenge the budget proposals. Their requests for financing have recently been slashed and a supreme decree has returned nine major regional development schemes to a central government administration.

Suit against Drexel client

By Nikki Tait in New York

THE Securities and Exchange Commission yesterday filed a civil lawsuit against Mr David Solomon, an important client of Drexel Burnham Lambert's high-yield department, accusing the former investment manager of fraud and securities law violations.

Among other things, the suit alleges Mr Michael Milken, the high-yield department's former head who was last week sentenced to 10 years' imprisonment

for securities law offences, or other Drexel employees provided Mr Solomon with inside information concerning, or obtained from, Drexel clients.

Without admitting or denying the allegations, Mr Solomon has agreed to pay \$7.9m (\$4.03m) of this \$7.9m is for alleged profits from transactions and the remainder is a penalty.

Old enemies find only one way to run a central bank

Leslie Crawford on Chile's monetary independence

MR JUAN Eduardo Herrera, one of the five councillors of Chile's central bank, has a sign above the mantelpiece of his oak-panelled office which reads: "Ladies do it better."

He is a Social Democrat and an economist who was a strong critic of Chile's former military regime. He now sits on the bank's executive board with Brigadier Enrique Seguel, General Augusto Pinochet's last finance minister.

Chile is the only country in the developing world that has an independent central bank. Its autonomy statutes were Gen Pinochet's parting gift before he stepped down in March. This was a calculated political decision, designed to put the bank beyond political control and lock future governments into following a market-oriented economy.

Gen Pinochet was to have appointed all five councillors, but after tough negotiations with President Patricio Aylwin's incoming government, a compromise was reached: Mr Aylwin nominated two members - Mr Herrera and Mr Roberto Zaldívar, a Christian Democrat like Mr Aylwin, and a senior UN expert on monetary policy, Gen Pinochet picked Brigadier Seguel and Mr Alfonso Serrano, the bank's vice-president, and both parties agreed on an independent economist, Mr Andres Bianchi, as president.

This cauldron of opponents and supporters of the former regime had all the ingredients of a political disaster. But, according to the councillors, it has worked much better than expected.

One of the main criticisms levied against the bank since it gained independence in January is that the collegiate system of decision-making has been too slow and that efficiency has been sacrificed for the sake of consensus.

The councillors concede that there may have been a few teething problems as they grew into their jobs, but Mr Bianchi adds in their defence: "More people have to be consulted in a democracy than in an authoritarian context. But this means that the measures that are finally adopted are the

product of a deeper analysis." The bank has also been under close scrutiny for any signs of discord with the finance ministry. The relationship so far has been a model of harmony, largely because both teams agree that Chile's top economic priority remains the fight against inflation. So while the central bank has held the economy in a tight monetary grip, Mr Alejandro Foxley, the finance minister, has reined in government spending and may even end the year with a small fiscal surplus.

at an annualised rate of 30 per cent. The bank has also had its share of unpredictable bad luck. Just as inflation was beginning to fall, at the cost of a sharp contraction in economic activity, Iraq invaded Kuwait and the price of oil doubled. For Chile, which imports almost all its oil, this was a disaster. The rise in oil prices has rekindled inflation, which is again hovering around the 30 per cent a year mark.

"Without the oil shock," says Mr Bianchi, "we would have advanced much further in taming inflation and re-activating growth."

The resilience of inflation is largely the result of the complete indexation of Chile's economy, which magnifies the impact of an external oil shock by causing all other prices to rise in a ripple effect. Some councillors are in favour of de-indexing the economy, but they stress that this is a medium- to long-term project.

Mr Juan Andres Fontaine, the bank's former director of studies, who helped draft the bank's autonomy statutes, says the bank's independence is more tenuous than the US Federal Reserve or Germany's Bundesbank because its financial position is not solid.

This dates back to the country's financial collapse after the 1982 debt crisis, when the central bank took charge of more than \$3bn of bad debts to keep commercial banks afloat. The latter are slowly repaying their obligations to the bank, but Mr Fontaine says that if there were to be another banking failure in the future, the central bank would incur serious losses.

The treasury also owes the bank some \$5bn as a result of the 1982 financial crisis. "The fact that the central bank is such an important creditor of the treasury undermines its autonomy," says Mr Fontaine.

While the bank and the treasury harmonise economic strategies, the central bank's position appears secure. "The real test of autonomy," one councillor said, "will come when there is a clash of opinions. Only then will the bank's authority and independence be tested."



Enrique Seguel, picked by Gen Pinochet



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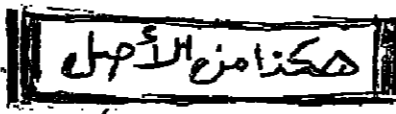


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INTERNATIONAL NEWS

Mandela and de Klerk restate peace commitment

By Patti Waldmeir in Johannesburg

MR F.W. de Klerk, the South African President and Mr Nelson Mandela, deputy president of the African National Congress (ANC) yesterday reaffirmed their commitment to peaceful negotiation after meeting to discuss issues which they said were threatening the peace process.

Both sides had made hard-line statements prior to the talks in which they accused their opponents of actions which jeopardised the start of talks on a post-apartheid constitution.

But after a short meeting in Pretoria, the government and the ANC issued a joint statement which made clear that negotiations remain on track.

The ANC had complained of police brutality and was expected to raise the issue of an interim government in the meeting.

Pretoria said it would protest at the ANC's call for mass public protests.

Neither side gave any details of issues discussed, but their joint statement said that they had agreed on the priority of issues requiring "early attention".

The two leaders also "reaffirmed their commitment to and faith in the peaceful negotiating process," the statement said. It also made provision for future such meetings.

Mr Mandela and Mr de Klerk have held several private meetings in recent months to remove obstacles to full-scale negotiations on ending white-minority rule.

Meanwhile, violence continued in black townships, with 10 men shot and stabbed to death in black factional fighting in the township of Kaitshong, outside Johannesburg.

A police official said the fighting apparently involved



F.W. de Klerk: making provision for future meetings



Nelson Mandela: in agreement over a priority of issues

rival Zulus and Xhosa.

Five other people were killed in scattered violence in other parts of the country.

Mr Mandela refused to be drawn by reporters after the talks commenting only that the meeting had been productive and "the mood was very cordial as usual". Renter reports from Pretoria.

Before the talks, informants close to the white government and Mr Mandela's African National Congress (ANC), the main black anti-apartheid group, portrayed the two leaders as angry and frustrated.

They said the two men were concerned by fighting in black townships and a state of demonstrations and strikes that have stirred unease in the white community.

The sources had predicted tough talking between the leaders as they sought to put back on track exploratory negotiations aimed at clearing the way for discussions on a democratic constitution.

The statement gave no indication of what had taken place inside the president's office or of any agreed actions.

It said only that the two leaders "would probably have to meet again from time to time in the coming weeks and months" to deal with problem issues.

Talks to prepare the ground for constitutional negotiations for a non-racial, democratic South Africa have stalled amid squabbling over the return of black political exiles, the release of political prisoners and the ANC's refusal to stop military training and mass action against apartheid.

Mr Mandela said no date had been set for his next meeting with Mr de Klerk.

More than 40 people have been killed in the past three days in an upsurge of fighting between ANC supporters and loyalists of the Zulu-based Inkatha Freedom Party, regarded by the ANC as a government ally.

Aid to Nigeria raises awkward questions

William Keeling discusses changing EC attitudes to development aid under Lomé IV

THE DIFFICULTIES faced by donors in disbursing aid were highlighted at a recent meeting between officials of the European Community and Nigeria. Mr Baldwin Zimmer, the EC delegate in Lagos, drew to the attention of Alhaji Abubakar Alhaji, the minister of finance, the slow disbursement of funds under the Lomé conventions.

The minister expressed his surprise and asked the cause of the delay. Mr Zimmer replied: "The delay is simple. We are awaiting your signature."

Since 1976, the EC has made available Ecu530m (\$830m) to Nigeria in the form of loans and grants under the first three Lomé conventions. But by the end of 1989, just 11 per cent of this had been disbursed. Despite such a poor record, between 1991 and 1996 a further Ecu590m of grant-finance will be offered under Lomé IV.

Nigeria is the largest single recipient under the convention, which is signed by the EC and 69 African, Caribbean and Pacific states. A vast array of projects benefit from such finance, ranging from desertification control and forest monitoring to the production of oil-palm and tea.

Seven universities, two polytechnics and 11 technical institutes and colleges have also benefited from EC funding. Although the scope is impressive, there are innumerable problems in ensuring the efficient use of funds, even after they have been disbursed.

In the northern state of Katsina, the EC is co-financing with the federal government a Ecu13.4m, five-year, afforestation project. The idea is to assist local people to grow woodlots and shelterbreaks.

The scheme was first mooted in 1981. A consultant's report was submitted in 1984, but the project did not get off the ground



The EC is funding arid zone projects to the tune of Ecu35m (\$48m) - assisting small farms through to large projects.

take off until 1987.

Since then unnecessary bureaucratic procedures have hampered its progress. Many of the woodlots planted in 1988 failed to mature because federal government approval for the importation of cattle-proof fencing was not forthcoming.

The \$1m headquarters are only just being completed with less than 18 months of the initial programme left to run.

The project managers also admit that there has been a lack of co-ordination between other afforestation projects organised in the area by the World Bank, federal and state

governments. There have been disagreements over who planted shelterbelts and who has authority over them.

Projects financed by the EC do not necessarily match the development aspirations of the government. The north-east arid zone project, funded by the EC to the tune of Ecu35m (\$48m) aims to promote rural development in a region of Borno state which is endangered by an encroaching desert and poor rainfall. But development workers say that the biggest danger to the region is the construction of dams on the Hadejia river in Kano state and the Jama'are river in Benue state. The dams are intended to provide irrigated land to assist agricultural production. But they are likely to exacerbate the ecological problems of Borno by inhibiting the annual flooding of the Fadama plains upon which the local economy

of rice-farming and fishing depends. EC officials primarily concede that the most that can be achieved by some projects is to alert the government to its responsibilities.

Some analysts argue, however, that the presence of donors may allow the authorities to neglect the areas concerned. As one development worker noted: "There have been projects in some of these areas for two decades."

Although the majority of EC projects in the country are still in their infancy, some observers have expressed concern at the "low quality" of EC aid. In turn, this has brought into question the increase in aid-finance being made available under Lomé IV.

National diplomats acknowledge that there is a disagreement between EC member states on the precise role the community should be playing.

There is also a debate over the balance to be struck between aid given by individual member countries and that offered under the EC umbrella. Community officials consider aid-finance an essential element of an emerging Community foreign policy, which is as political as it is economic. This raises the question of the EC's own move towards political union. In the opinion of one official: "From a European standpoint, member states should reduce their aid programmes and pass the responsibility on to Brussels."

Whether a central administration would be any more efficient at the evaluation and funding of projects must, on present evidence, be in doubt. What is certain is that member governments will be scrutinising the EC delegation in Lagos as it develops its programme of aid under Lomé IV.



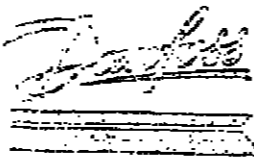
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● THE MIDDLE EAST

Security Council ready to open way for use of force

By Michael Littlejohns in New York and Ian Davidson in Paris

THE UN Security Council appears certain tomorrow to authorise states with forces in the Gulf to use "all necessary means" to eject Iraq from Kuwait. It does not withdraw its troops in January.

But the resolution, initiated by the US and refined in talks with the four other permanent members - Britain, China, France and the Soviet Union - looked set to win fewer affirmative votes than any of its 10 predecessors approved during the four-month crisis.

By some estimates, two votes against (neither constituting a veto)

and two or three abstentions was probable. A minimum of nine affirmative votes is required to adopt a resolution in the 15-nation council.

The US had sought a January 1 deadline for Iraqi withdrawal, but both the Soviet Union and France favoured the date of January 15 and last night this seemed likelier.

Mr Roland Dumas, the French foreign minister, told the AFP news agency yesterday that France had proposed a January 15 deadline, making clear that his reasons for suggesting the later date were to accommodate Soviet wishes.

"I proposed the date yesterday of January 15, though the Americans wanted to set a date of January 1," Mr Dumas told reporters. "It's good that we fix a precise date."

His statement seems to indicate a significant convergence of the French government's position towards that of the US.

Last week President François Mitterrand appeared to be dragging his heels, despite pressure from the US, when he said France was prepared to discuss a new resolution, while at the same time insisting that there could be no automatic link between the passage of such a resolution and the actual use of force. The resolution would be the first to permit such military action since the Council's 1950 approval of "police action" in Korea.

Mr Mikhail Gorbachev, the Soviet president, yesterday expressed his full support for the resolution. He said in Moscow that Iraq's failure to withdraw would lead to "harsh" and "severe" measures.

There were doubts last night whether China, which has opposed a resort to force, would vote for the resolution, but the US was confident that Qian Qichen, the Chinese foreign

minister, would not veto it.

He is to begin an official visit to Washington immediately afterwards - the first by a senior Chinese official since the brutal crackdown on student demonstrators in Peking in June last year.

Cuba is expected to join Yemen, the council's only Arab member, in opposing the resolution.

Malaysia and Colombia, which have said that the sanctions should be given more time, have made no formal commitment on how they would vote and some diplomats expected them to abstain.

UK moves towards renewing diplomatic links with Syria

By Victor Mallet, Middle East Correspondent

BRITAIN, which once feared the loss of all its embassies between the Mediterranean and the Khyber Pass, was yesterday finalising plans for restoring diplomatic relations with Syria two months after renewing ties with Iran.

The formation of the Arab-western alliance against Iraq - coinciding with the departure of the adamant Mrs Margaret Thatcher as prime minister - has given the Foreign Office an opportunity to set aside its differences with Damascus.

A delegation of British members of parliament met President Hafez al-Assad in the Syrian capital yesterday.

On Saturday Mr David Gore-Booth, assistant under-secretary for the Middle East, had talks with Mr Farooq al-Sharaa, the Syrian foreign minister, in the first high-level contact between the two countries for four years.

A resumption of diplomatic relations would revive hopes for the release of three British hostages in Lebanon. The Foreign Office said this week that Mr Jack Mann, the 77-year-old former pilot kidnapped in Beirut, was believed to be alive.

Officials in London, however, emphasise that Iran is the key to the release of hostages, while Syria can play a "facilitating" role because its forces control Beirut.

Britain broke off relations with Syria in 1966 after Nezar Hindawi, a Jordanian, was convicted of trying to plant a bomb on an Israeli airliner at Heathrow airport by using a girlfriend as an unwitting carrier.

Britain said Hindawi was assisted by the Syrian embassy



Assad: met British MPs

in London and has protested that Syrian officials connected with terrorism are still in positions of authority.

Although Mr Gore-Booth's talks in Damascus are said to have made reasonable progress, it is unlikely that Syria will meet all the British demands. A compromise declaration of "mutual respect" - along the lines of the agreement with Iran - is probable.

Syria has taken full advantage of the Gulf crisis to assert its control over Lebanon by helping the government of President Elias Hrawi to defeat Gen Michel Aoun, the rebel Christian leader.

Mr Assad also secured a meeting with President George Bush in Geneva to discuss the Gulf crisis.

Israel struggles to keep low profile as stakes rise

Hugh Carnegie reports on the fears of America's main regional ally over the outcome of the crisis

AS the pace of events in the Gulf crisis again quickens, one issue that will be under scrutiny both in Baghdad and in the anti-Iraq coalition is the highly sensitive position of Israel.

For all the talk of Israel keeping a "low profile" to avoid upsetting the delicate western-Arab alliance against President Saddam Hussein, both sides know that if it comes to war, the role of Israel could well prove to be decisive in determining the outcome.

Aware from the start that the entry of Israel into any military conflict could fatally split the key Arab states - Saudi Arabia, Egypt and Syria - lined up with Washington, Mr Saddam has repeatedly threatened to involve Israel in hostilities. Equally, the US has been at pains to ensure that Israel is kept out of the conflict.

So what kind of posture has Israel struck?

For the Israelis, the immediate "headline" threat is posed by long-range Iraqi surface-to-surface missiles now believed capable of delivering chemical warheads on densely populated areas. The military is operating on the assumption that Mr Saddam will carry out his threat to attack Israel if Iraq itself is attacked, and also takes seriously the possibility that he would launch a first strike against Israel if he felt cornered by sanctions, or that a US-led assault was imminent.

Israeli intelligence assessments acknowledge that Iraqi fighting would at least provoke serious internal dissension in Egypt, undermine Saudi resolve and could prompt Syria to switch sides.

For this reason, the US has been anxious to keep Israel out of the picture, to the point of

suggesting publicly that if Israel were attacked, US forces would take on the job of knocking out Iraqi missile sites on Israel's behalf.

Both military and political officials in Israel scoff at this suggestion. "We will not be dependent on anyone but ourselves," said one.

However, recent reports that Israel might be considering a pre-emptive strike to forestall the threat of attack by Iraq seem off the mark. For a start, however alarming and deadly missile strikes might be, they do not pose any real strategic threat on their own to Israel. Nor could they be accompanied by any land threat by Iraq.

The Israeli Air Force is confident that it can deliver a devastating response to any strike that would stop further attacks.

There is not a major problem for Israel. As long as there is a large US military presence in Saudi Arabia, militarily Israel is in better shape than before."

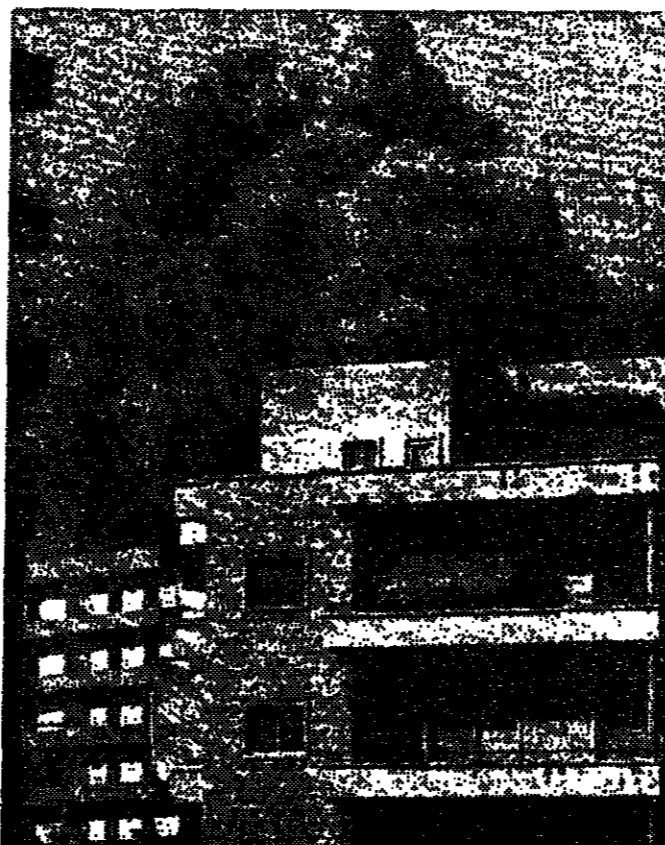
He says the longer term worry is that Israel will pay the price for the effort against Iraq in political and strategic terms. Israel is deeply concerned that Iraq's non-conventional - and conventional - power should be dismantled. Even if Mr Saddam is removed there is anxiety, for example, that an Iraqi-Syrian alliance might emerge in his place, with ties also to Iran, which Israel would regard as an intolerable threat.

That is why Israel is alarmed by the warming of ties between Washington and President Hafez al-Assad of Syria. It is also extremely worried by the scale of arms sales to Saudi Arabia, which Israel repeatedly says could one day be used as part of an alliance against it.

Crucial in how these issues turn out is the relationship between Israel and the US. There has been much talk during the Gulf crisis of the cooling of the traditional alliance, especially the poor personal ties between President George Bush and Mr Yitzhak Shamir, the Israeli prime minister.

However, beneath the resentment in Israel of the way US leaders have avoided the country while courting Arab governments, officials acknowledge understanding of Washington's pragmatic needs and report that military links continue to be close and warm.

Mr Shamir is expected to see Mr Bush in Washington next month. The president's response to Israel's many concerns about the Gulf crisis may shape how Israel responds when and if it turns to war.



Smoke billows from an Israeli air raid over Sidon yesterday

Up to 13 are feared dead in border clash

FIVE Israeli soldiers and up to eight Palestinian guerrillas were killed yesterday in a clash inside the border security zone Israel occupies in south Lebanon, writes Hugh Carnegie in Jerusalem and Lara Marlowe in Beirut.

It was the latest in a recent spate of incidents in the area and left the highest number of Israeli casualties in a single incident in Lebanon for some years. The Popular Front for the Liberation of Palestine, led by Mr George Habbash who is now based in Baghdad, claimed it had killed the soldiers with the assistance of guerrilla allies.

The action, following the killing of three soldiers and a civilian by an Egyptian gunman in Israel on Sunday, added to anxiety within that country that tensions related to the Gulf crisis are increasingly having a violent rebound on Israel. The rise in anti-Israeli activity has coincided with demands by Lebanon that Israel withdraws from the south of the country.

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Tokyo raider admits stock manipulation

By Stefan Wagstyl in Tokyo

MR Mitsuhiro Kotani, a Japanese stock market raider, yesterday pleaded guilty to manipulating the shares of a leisure company in order to sell a large holding at an inflated price.

Mr Kotani, who had pleaded not guilty at an earlier hearing, was thought to have changed his mind in order to improve his chances of securing bail. He has been under arrest since July, unable to supervise efforts to restructure Koshin, the debt-laden investment syndicate which he heads.

Mr Kotani admitted buying and selling 730,000 shares in Fujita Tourist Enterprises in April this year in order to drive up the price from ¥3,780 (\$14.58) to ¥5,200. He then sold a block of 6m shares for about ¥30bn and used the proceeds to repay loans to Kokusai Kogyo, an aerial survey company he acquired in a controversial takeover in 1988. Mr Kotani said yesterday he had acted in ways calculated to mislead investors.

As well as the Fujita incident, officials are investigating the takeover of Kokusai, the means he used to raise funds and his links with banks, including Sumitomo Bank and Mitsui Trust and Banking, and securities companies.

PNG offers inquiry on 'human rights abuses'

By Kevin Brown in Sydney

PAPUA New Guinea yesterday offered to allow an international team of judges to investigate alleged human rights abuses during a battle with secessionist rebels for control of the copper-rich island of Bougainville.

Mr Rabble Namaliu, prime minister, said PNG had unsuccessfully proposed an independent investigation during peace talks with the rebel Bougainville Revolutionary Army on board a New Zealand Navy ship in August. "They [the judges] could still come provided both sides agree," he said.

Mr Namaliu was responding to a report by Amnesty International, the human rights organisation, which alleged that at least 19 people were executed without trial and more than 50 ill-treated or tortured by PNG troops trying to control the BHA uprising.

The report said there was also evidence of abuses by the BHA, but criticised the PNG

government for failing to take action to bring members of the security forces to justice.

Mr Namaliu said PNG had never denied that abuses had taken place, but all allegations made against the security forces had been investigated.

Mr Harris Van Beek, Amnesty's Australian national director, yesterday followed up the report by calling on the Australian government to provide legislative safeguards against the misuse of Australian-supplied military and police equipment in PNG.

Mr Van Beek said he feared further large-scale human rights abuses would take place in Bougainville unless the PNG and Australian governments took urgent action.

Senator Gareth Evans, the Australian foreign minister, said legislation was unnecessary because the government believed Mr Namaliu and other senior ministers were committed to protecting human rights.

Tamil Tigers kill 150 soldiers

IN THE bloodiest battle of Sri Lanka's civil war, the Tamil Tigers have killed nearly 150 Sinhalese soldiers, Mervyn De Silva reports from Colombo. A higher final death toll was

feared at Mankulam, about 50 miles north of Colombo. The Tigers lost 50 to 100 guerrillas when the Mankulam army camp, the largest in the Tamil-dominated north, was pounded by mortars over the weekend.

Tasmania announces corruption probe

by Kevin Brown in Sydney

TASMANIA yesterday became the second Australian state this month to announce a Royal Commission into alleged political corruption.

Mr Michael Field, the Labor premier, said the inquiry would investigate an attempt to save the former Liberal state from a confidence motion by bribing Mr Jim Cox, a Labor MP, to cross the floor and vote with the Liberal opposition.

Mr Edmund Rozsa, a former Tasmanian media proprietor, said Mr Tony Aloi, a Melbourne radio executive, was serving prison sentences in relation to

the affair, in which a bribe of A\$110,000 (\$64,515) was rejected by Mr Cox.

Mr Field said the Royal Commission's role would be to restore public trust in the state's institutions and identify anyone else involved in the attempted bribe.

Other Labor MPs have called for an inquiry to establish whether any members of the Liberal party were involved in the attempted bribery.

Mr Robin Gray, the Liberal leader and former premier, said the Commission was "nothing more than a stunt to embarrass the Liberal

party".

Mr Field's minority Labor government depends on the support of Green Independent MPs to govern, and has looked increasingly shaky in recent weeks after falling out with the Greens parliamentarians over the development of forestry resources.

The Labor government of Western Australia bowed to pressure earlier this month for a Royal Commission into alleged corrupt links over the last 10 years between state politicians and bureaucrats and local businessmen.

UK NEWS

THE NEXT PRIME MINISTER

THE ISSUES AHEAD

Party seeks fresh start in bid for a fourth term

By Philip Stephens, Political Editor

THE palpable relief with which Tory MPs greeted Mr John Major's victory yesterday is tinged with foreboding.

The party has done what it is good at. It has ejected a leader who had become an electoral liability. Mr Major can now make a fresh start in the hope of recovering enough ground within the next 18 months to secure the Conservatives a fourth term in office.

He can expect a honeymoon period, when the polls will buoy the spirits of Tory supporters, and when the party's warring factions will bury their hatchets in the name of unity. The expectation last night was that Mr Michael Heseltine will be offered a place in his cabinet.

But as the battle for the succession has unfolded, those ministers and MPs who have looked beyond the distorting kaleidoscope of the campaigns have begun to consider something else.

Mrs Thatcher takes with her the certainties of the past 11½ years. Mr Major, despite his formidable political talents, does not offer the unflinching conviction, the eternal truths which drove the party for its first three terms in office.

Privatisation, deregulation, tax cuts, budget surpluses, enhanced individual opportunity and choice, the emphasis on individual wealth accumulation have become verities for all but a handful of dissenters among Tory MPs. They are no longer regarded as enough.

The new prime minister will face exactly the same practical problems as his predecessor: the prospect of war in the Gulf, the poll tax, Britain's place in Europe, the economy, the poll tax, the perceived shabbiness of public services. They do not add up to a happy inheritance for a leader who will inevitably lack Mrs Thatcher's authority as well as her self-belief.

Mr Major has his ideas. He has offered during the campaign to consolidate the successes of Thatcherism while shaving off its rougher edges. He plans to slow the pace of radical change in areas like education and health, and add some new wings at the bottom of the social ladder.

His record at Treasury showed a politician keen to rein back the frontiers of the state, but aware that the voters expect those services which remain in the public sector come up to the standards of

those in the private sector.

In the view of his colleagues, however, Mr Major does not offer anything as coherent a creed as Thatcherism. There will be nothing as clear-cut as a simple return to the "One Nation" Toryism she deplored.

During the high-drama last few days the vision of many Tory MPs has become blurred: high mortgage rates, the poll tax, the groundswell of discontent about education were Mrs Thatcher's problems. She would take them with her in the removal vans leaving Downing Street.

Asked to focus carefully, they become less sanguine. The government will have to begin to look outwards again and the view from No 10 Downing Street will be far from reassuring. With Mrs Thatcher's departure the problems will remain but the certainties will be gone.

Not all are pessimistic. A cabinet minister who threw his weight behind Mr Major at the start of his campaign insists that the events of the past few years show above all that the party is indestructible. "If we can depose one of the most successful prime ministers we've ever had you can be sure that



Issues ahead: a potential war involving UK troops; opposition to the poll tax; and strained relations with the EC and its president Mr Delors (above with Mrs Thatcher)

we can sort out the poll tax", is his verdict.

Others suggest that this instinct for self-preservation will propel the new leader to build another consensus in a different place from Thatcherism, recouping some of the centre ground it had deserted. On this analysis, it was the blind faith in certainties which had caused the cataclysm. Mr Major will offer "Thatcherism without the acerbity".

There are still those, however, who believe that the Conservative party become if it is longer the party of radical revolution? Can it be driven again by consensus after being for so long driven

by conviction?

Mr Major does not like the implication, but he wears the mantle of Mrs Thatcher. Even as the voting was getting underway yesterday she was telephoning waverers to get them to swing their support behind her anointed successor. Many of her inner circle of advisers and courtiers moved to his campaign headquarters.

He is the candidate of the right for two reasons. His dislike of inflation is believed to be solid. His scepticism about European integration is perceived to be much more deep-rooted than that of any other likely successor.

But Mr Major is not Mrs

Thatcher. She was a prime minister who pinned her political convictions on her heart. He excises political labels even from the linings of his suits.

"Unlike Adam Smith I am not a moral philosopher. Nor an economist. Nor an intellectual. I am a practical politician," he has said of himself.

That does not mean that he does not have his own prospectus. His campaign has emphasised again and again the vision of a socially mobile, classless society. Tax cuts, when they come, will be tilted towards the lower end of the scale. There will be more public spending on education, and probably on the health service.

The poll tax will be made fairer if not abandoned.

The essential difference though is that Mr Major's career has been built on pragmatism, on careful assessment of the possible. Mrs Thatcher's successes - and ultimately her failure - derived from her determination to redefine what was possible.

She was willing to fight until the end against a single European currency. Mr Major's instincts about the Delors plan are the same. But he is looking for a political compromise with Britain's partners.

Not everyone believes that the change will be a bad thing. "We don't need certainties, we

have got to think more clearly about our obligations... in health, in education," one minister said.

A more junior colleague admitted that after Mrs Thatcher there were no longer any self-evident truths. But that was no bad thing. What was wrong in the Tory party offering good economic management and more social responsibility? The voters have had enough of big ideas from either Conservatives or Labour. They wanted conservatism in its real sense. Mrs Thatcher's successor must hope so. Leader and editorial comment, Page 20

HOW HE WON

Chancellor steered a firm campaign to Number 10

By Allison Smith

THE CAMPAIGN to sell Mr John Major, the chancellor, to his fellow Tory MPs as prime minister set off at a snail's pace, and never looked back.

That original impetus was enough to make Mr Major the more likely "stop Michael Heseltine" candidate for the Tory establishment, and gave him the momentum he needed. This was not inevitable. Despite Mr Major's pitch as the candidate from the "ordinary background" and the idea that he was best placed to appeal to young people, Mr Major was seen as the more experienced candidate and the one most likely to unite the party.

But Mr Major was quicker off the mark once the starting pistol had gone off and his nominations were in late Thursday morning. By Friday morning the Major camp was already claiming the support of a third of the 372 MPs eligible to vote. And to keep the bandwagon rolling, Mr Major was asked by campaign managers to make public their support.

By contrast, Mr Hurd was privately acknowledged by many MPs to be trailing before the weekend. With a slow start, he took longer to commit himself to policy changes, and his initial emphasis was that with the Gulf crisis looming, a safe pair of hands was

the priority.

His cabinet support was in some ways more solidly based than Mr Major's. It included middle-ranking ministers, including Mr Patten, Mr Clarke, Mr Tom King, the defence secretary, and Mr Malcolm Rifkind, the Scottish secretary.

With the exception of Mr David Waddington, the home secretary, cabinet support for Mr Major seemed centred more on junior ministers and those on the right of the party, such as Mr Michael Howard, the employment secretary, and Mr Peter Lilley, the trade and industry secretary.

For Mr Heseltine, the problem was one of "stop-go" politics. His campaign necessarily stalled on Thursday with the news that Mrs Margaret Thatcher was not allowing her name to go forward to the next ballot. On Friday also he kept a low profile, leaving his two rivals to hold their press conferences and creating an impression that he had lost the initiative, and that the speed of the Major campaign had taken him by surprise.

Over the weekend, however, Mr Heseltine regained some momentum, with timely endorsements from Sir Geoffrey Howe, the former deputy prime minister, and Mr Nigel Lawson, the former chancellor. These stole the headlines

from the crop of opinion polls, showing that not only Mr Heseltine but Mr Major, was well-placed to lead the Tories to an election victory.

In television interviews over the weekend, however, Mr Heseltine and Mr Hurd were judged to have outperformed Mr Major. Though Mr Major pleased some of his supporters, he worried others by taking a particularly tough stance on Europe.

While the contest had started with remarkable restraint among the three teams, its gentlemanly nature had become somewhat strained on Monday.

The claims that rival camps were talking up their numbers of firm pledges were soon followed by anonymous adverse comments about Mr Major's performance as foreign secretary, and doubts about Mr Heseltine's "stability" expressed by Lord Whitelaw, who supported Mr Hurd.

Over the final couple of days, Mr Major came under increasing pressure as the "son of Thatcher" candidate. Fears about the effects of Mrs Thatcher's comments on Monday, when she said would be "a very good back-seat driver" if Mr Major was elected, also proved unfounded and the Chancellor this morning appears likely to move into Number 10 by the weekend.

THE REACTION

By Our Political Staff

THERE WAS widespread relief throughout the Conservative Party at the election of Mr John Major to the leadership last night and the decision of the other candidates not to force a third ballot.

Supporters of Mr Michael Heseltine and Mr Douglas Hurd accepted that the overriding need for the party was to unite behind the new leader, despite the high vote achieved by Mr Heseltine.

Mrs Thatcher, the outgoing prime minister, said she was thrilled with the result and sent her warmest congratulations to Mr Major.

A typical Cabinet reaction came from Mr John MacGregor, leader of the Commons: "I think he will carry forward the

policies of the Thatcher years, and will develop them in his own way. He's proved himself to be very popular in the country," he said.

Mr MacGregor, a former education secretary, and other ministers went out of their way to reject claims that Mr Major would allow himself to be influenced by Mrs Thatcher. "He's had a lot of experience and I have absolutely no doubt that he will be his own man," said Mr MacGregor.

Mr Kenneth Baker, Conservative Party chairman, said he was delighted that Mr Major was to be the new leader. "We all look forward to him leading us to victory at the next election,"

Mr Malcolm Rifkind, Scot-

tish Secretary, said it had been a wonderful achievement by John Major.

The financial reaction was also one of relief, with one analyst stating that he believed the markets would open well up now that the leadership contest had been settled.

Conservative MPs and party officials rushed to proclaim that peace had now broken out in the party.

Mr Julian Critchley, MP for Aldershot and a leading Heseltine supporter, said he was obviously sad that Mr Heseltine had not achieved the leadership, but he had changed the course of history and would presumably be in the Major government, "which would be a good thing."

Mr David Mellor, arts minister and one of Mr Major's leading campaigners, congratulated the participants for conducting a campaign with no mud-slinging, which gave promise that all sections of the party would now pull together.

Mr Jack Cunningham, Labour's campaign manager, said: "We have a victory for the Thatcher candidate in the Tory Party. He's the candidate most committed to the Thatcher policies which have led us into recession twice in a decade. John Major hasn't won you know."

When polls showing Mr Major running ahead of Labour were put to him, he dismissed this as a temporary blip in popularity. "There's been a collec-

tive sigh of relief because Mrs Thatcher's gone," he said.

Mr Paddy Ashdown, Liberal Democrat leader, said everyone in the country would wish Mr Major well in the task that lay ahead of him.

Mr Neil Kinnock, leader of the opposition Labour party, said: "He is a no change, no majority prime minister. Britain will be given more of the same."

Mr Norman Tebbit, former cabinet minister, said Mr Heseltine, "having seen his vote begin to collapse, was wise to concede."

He thought Mr Major would be "very tough, very dry, very quiet" and was not going to be pushed around by anyone. Opposition tactics, Page 12

Party activists rally round new prime minister

By Jimmy Burns

THE grass-roots of the Conservative Party last night were rallying round their new leader, and apparently ready to bury recent divisions for the sake of party unity.

Mr Richard Hall, chairman of the Conservative Association in Bath, the spa town in western England, said: "Everybody is very happy that the government can now get on with govern-

ing."

He described Mr Major as a "caring and competent man with whom the people of this country can identify."

In a view shared by many Tory activists last night, Mr Hall added that the campaign had shown the "tremendous strengths" of all three candidates so that he expected both Mr Douglas Hurd and Mr Michael Heseltine to be included in Mr Major's cabinet.

In Corby, central England, the local Tory chairman, Mr Mike Peacock, said last night's result could "only bring good to the Conservative Party."

Mr Peacock described Mr Major as "certainly a man for the 1990s."

In the Isle of Wight, the island off the southern coast, the local Tory chairman, Adrian Axford, urged Mr Major to go for a general election next June on the basis of what he perceived as the new-found unity of the party.

In Battersea, south London, where

the Conservative Party's member of parliament has only a small majority, local chairman, Mr Timothy Kidd, described last night as a "very good result for the party" although he would not be drawn on an election date.

Hours before last night's ballot, an FT survey had confirmed the wide support for Mr Major in Conservative held constituencies.

But those responding positively to last night's result included local party officials who had previously declared their allegiance to Mr Heseltine.

In previously pro-Heseltine Ipswich, in eastern England, local Conservative chairman, Mrs Elizabeth Harsant, said:

"I'm pleased that it has all come to an end. I think Mr Major is going to lead us to victory at the next general election."


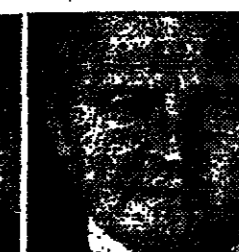



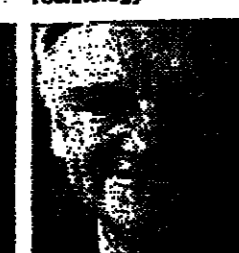



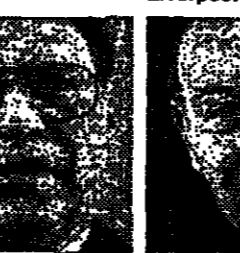

She added: "Mr Hurd should remain where he is as foreign secretary."

"I'm convinced that Mr Heseltine will be given a post in the new cabinet. He would be well suited to the role of environment minister, perhaps even of Party chairman."

Mr Major, however, is likely to take into account the strongly-held views of local party activists who in recent days have blamed Mr Heseltine for Mrs Thatcher's downfall.

* chief executives, chairman or MDs; Top 20 in terms of market capitalisation

Where Britain's top 20 company chiefs* were educated

 Iain Vallance, BT: Edinburgh Academy; Dulwich College; Glasgow Academy; Brasenose College, Oxford	 Robert Horton, BP: King's School, Canterbury; University of St Andrews; Massachusetts Institute of Technology	 Sir Peter Holmes, Shell Transport; Trinity College, Cambridge	 Ernest Marle, Glaxo: Rugby College of pharmacy, New Brunswick, NJ; University of Rhode Island	 Lord Hanson, Hanson: Leeds University	 Patrick Steadly, BAT: Ampleforth College, Yorks	 Robert Evans, British Gas: Old Swan College; Blackburn College; City of Liverpool College (Tech); Liverpool University	 Sir Denis Henderson, ICI: Aberdeen Grammar School; University of Aberdeen	 John Catill, BTR: St Paul's School	 Anthony Tennant, Guinness Eton; Trinity College, Cambridge
 Robert Beuman, SouthKline Beecham: Ohio Wesleyan University; Harvard School of Business	 Allen Sheppard, Grand Belt; Ilford County School; London School of Economics	 Lord Haysler, Marks & Spencer: City College, Norwich; Selwyn College, Cambridge	 John Oulton, Barclays: Norwich School; St Johns College, Cambridge	 Lord Young, Cable & Wireless: Christ's College, Finchley; University College, London	 Michael Angus, Unilever: Marling School, Stroud; Bristol University	 Sir Alisdair Frame, RTZ: University of Glasgow; University of Cambridge	 Glen Rendrew, Reston: Sydney University, NSW, Australia	 Lord Weinbeck, General Electric: University of London	 Lord Alexander, Natwest Bank: Brighton colleges; King's College, Cambridge

A standard bearer steps forward from Mrs Thatcher's new ruling class

By Ivo Dawney

"THE PARTY of the estate owners has become the party of the estate agents," Mr Denis Healey, the former deputy leader of the opposition Labour Party is fond of saying of his opponents.

To which he now adds with a grin: "And the property market is slumping." The new debate about class politics as the hidden agenda behind the Tory leadership race was almost inevitable when the three leadership contenders declared themselves.

To many they represented the quintessence of the subtle divisions within Mrs Thatcher's new ruling class. Put with Thatcher's new ruling class, the contest could be described as patrician versus parvenu versus suburban postmaster. Mr Hurd has

been cast as the old-style Tory with his roots in the country. Mr Heseltine is the ambitious self-made millionaire; and Mr Major has a reputation as a dull but reliable politician who has risen through the ranks.

But nobody would have put it so crudely, at least in public, had not Mr Major himself chosen to touch on the subject with his not so cryptic attempt to launch social mobility as his platform.

This led on Monday night to the ultimate television situation comedy of having Lord Whitelaw protesting from his estates of discrimination against men elected at fee-paying schools and Mr Douglas Hurd pleading that he had only got to Eton - one of Britain's top private schools

- by means of a scholarship.

For the Hurd campaign team, however, the issue is a serious one. A leading supporter of the foreign secretary reported yesterday that his side had probably lost at least 10 votes because of the class issue.

"The one place where the class war is still really alive is inside the Conservative Party," he protested.

Such class-conscious comments may attract disapproval but they are nonetheless genuinely felt. One Old Etonian MP complained last week that he had been hissed at in the corridors of Westminster by colleagues who said that it was "people like him" who had stabbed Mrs Thatcher in the back.

Yesterday the same man argued: "The

[election] mess is appalling. Things were done much better in the old days in a smoke-filled room."

Mr Julian Critchley, the biographer and friend of Mr Heseltine, is much amused by the warfare having entered Parliament in 1989, after, as he puts it, being made "an honorary whiteman" by party bigwigs.

"In those days, Tory MPs were all called Charlie, all related and went to the house as a kind of social obligation," he recalled yesterday. "Now, they are all called Norman and want to be assistant Postmaster General."

"The Commons was the preserve of the upper class who were just bright enough to get the clever middle class to govern and were kept in power by the deferential

working class vote."

Basically, it was entirely apolitical. Now the upwardly mobile working class are enlisted to power."

Behind Mr Critchley's wit is a serious point that is acknowledged by Professor Richard Hoggart, Labour-voting author of the seminal 1950s sociological study of the working class, "The Uses of Literacy".

Yesterday, the professor agreed that the new political battleground centres on the allegiances of what was called the "deference vote" and is now classified the C2s - the increasingly materially ambitious segment of the working class.

"If you put Kinnock and Major in a room you would not see much difference," he argued. "Now the struggle is between

different types of personality - those like Kinnock who believe people must keep abreast of each other, must help each other up, and those like Major who are individualists."

In this context, there can be little doubt that the social composition of the commons is changing. As Mr Healey pointed out: "It is hard now to tell an MP's party by his clothes or manner."

And, even within the old class boundaries there are divisions. Yesterday, the oldest of the Old Etonians were voting for Mr Hurd.

The nostalgic Mr Critchley remains a Heseltine man, but some political colleagues, just a few years younger, were voting for Mr Major.

UK NEWS

THE NEW TORY LEADERSHIP: THE OPPOSITION

Labour faces the Major challenge

By Ralph Atkins



Is listening enough? Labour will be under pressure to find a rapid response to Mr Major's elevation

THE cricket metaphors, which have plagued the Conservative leadership contest, were inappropriate the senior Labour MP remarked as he watched in bemusement the activity along the Commons' corridors yesterday.

"Much better would be football," he said, his smile widening to a broad grin. "We are waiting in the centre of the pitch for the game to resume."

With the end of the Conservative leadership contest senior Labour party figures will be meeting today to discuss the party's strategy in first months of the post-Thatcher era.

Gradually it has dawned on the party that the game is about to change. At the very least the Conservative party has the opportunity to freshen itself up. Opinion polls have shown that Mr Major would put the Conservative's back in the lead.

Next week, therefore, is

likely to see a further expansion of Labour's policy on education and health while Commons debates are expected to be used for pressing the newly-assembled government on chosen policy issues.

Suggestions that the party is panicking are dismissed out of hand, as are rumours of dissatisfaction with the performance of Mr Neil Kinnock, Labour's leader.

However, senior figures recognise that adjusting to life under a new prime minister may require some fundamental changes. Labour readily acknowledges that an early general election is increasingly likely given that the next occupant of 10 Downing Street can expect a honeymoon period of some months.

Party officials and shadow cabinet ministers are preparing for an election as early as February or March next year as well as June or October - previously thought to be the most likely dates.

At the same time, while most senior Labour MPs believe the results of its extensive policy review will remain in tact, there is a consensus that the party's message may need sharpening.

That may require taking a further step on its European policy, already the subject of much reflection by members of Mr Kinnock's shadow cabinet. In particular, Labour stand on a single currency - which has not yet been accepted, even in principle, by Labour - is recognised as fuzzy.

With social issues high on the agenda of all three Conservative contenders, Labour will be anxious to make sure its stand is distinctive. That, in the view of some, means making clear that Labour has shaken of its past ideological commitments. "We must be seen as the party of the public interest, not the vested interest," said one shadow cabinet member.

Labour is undeterred by opinion polls showing a new leader giving the Conservatives a lead over Labour of up to 9 percentage points. Opinion polls are only a snapshot and with the Conservative's dominating in the news a short-term lead was inevitable, the argument goes.

The party believes its bed-rock support remains about 40 per cent of electorate. The battle with the Tories has, therefore, to be in winning over enough "floating voters"

to win a majority in the House of Commons.

An incoming prime minister may have some advantages, but Labour's senior spokesman believe government ministers will continue to be tarred with the same problems as best the government under Mrs Thatcher.

Yet there is some pressure for Mr Kinnock to set the chance to improve his performances at the Commons dispatch box - an area where even some loyalists admit he has been disappointing against Mrs Thatcher. Maybe now he faces another man, his fibres will dig deeper, one female Labour MP speculated.

Ahead of yesterday's election, Mr Major was regarded as easier target for Mr Kinnock than the more flamboyant Mr Heseltine. He was a close ally of Mrs Thatcher, has drawn support from the right-wing of the Conservative party, and has masterminded the government's high-interest rate policy over the past year.

"Nobody likes a former bank clerk," sniggered one Labour MP. The opposition party's MPs appeared almost anxious that politics should return to normal.

BRITAIN IN BRIEF



Priority call for single EC market

The completion of the single European market and the enforcement of Community legislation to avoid unfair competition between member countries should remain the EC's overriding priority, according to the Confederation of British Industry.

Sir Brian Corby, the CBI President, said that industry's main concern was to see the creation and development of a freely competitive and open European economy. Failure to achieve that objective would increase the dangers of a move towards protectionism.

Sir Brian was launching "Agenda Europe - Completing the Single Market", which the CBI claimed was the first document of its type to set out the business community's approach to the 1990s.



Brian Corby: Call for a freely competitive market

Bank changes guidelines

The Bank of England has fired another shot in its battle to reduce speculation about an imminent cut in the 14 per cent

base rate.

It has instructed specialist banks not to divulge how much they are being penalised by the Bank when borrowing money at high rates.

This adds up to a reversal in policy, since the Bank had appeared happy to let outsiders know about the high penal rates it was charging the UK banking system in its money-market operations.

The Bank now seems to believe it will have a better chance of influencing expectations about borrowing conditions if details of its dealings are known only by a few specialist banks.

Judge orders payment

Grand Union Insurance Company, of Hong Kong, has been ordered by a High Court judge in London to pay 1,437,638,195 lire (£285,573) to Compagnia Tirrena Di Assicurazioni (CTA), an Italian insurance company.

Mr Justice Waller said that Grand Union had reinsured CTA's insurance of the Magliore, Herz and Eurocar car hire companies but had refused to pay any of the claims submitted by CTA.

Mobil buys up gas reserves

Mobil, the US-based oil company, has bought all the gas reserves from the North Sea field, in a move which will intensify the competitive challenge to British Gas.

This is the first time the entire gas reserves of a North Sea field have been sold to a direct rival to British Gas in the industrial gas market.

Mobil announced its entry into the newly competitive industrial gas market in July, but so far it has been hampered by a lack of gas not contracted to British Gas.

Electricity shares 'risky'

The regional electricity companies, due to be privatised next month, are much riskier investments than generally realised, according to a report.

The report has been prepared by Mr Dieter Hehn, an Oxford economist and leading critic of electricity privatisation, for Oxford

Economic Research Associates, a consultancy group.

Mr Hehn argues that the regulatory framework for the electricity industry has been badly designed. The new electricity price market known as the pool gives the generating companies an incentive to boost prices by cutting capacity. This could jeopardise security of supply, the report says.

Nadir hearing postponed

Mr Asil Nadir, the embattled chairman of Polly Peck International, must wait another three months before being able to challenge the Serious Fraud Office's refusal to tell him the basis for its investigation of his affairs.



Asil Nadir: High court delays hearing

He and his lawyers have been surprised and dismayed to learn that his application to the High Court will not be heard until February 26. The case had been expected to get to court early next month.

US company in telecoms deal

British Waterways, the nationalised company that controls more than 2,000 miles of Britain's rivers and canals, is planning to lay 1,500km of high capacity fibre-optic cable on the bottom of its canals.

The plan would provide the canals, built in the eighteenth and nineteenth centuries and now used by anglers and holidaymakers, the first fruits of the government's proposed revolution in telecommunications.

The company is in advanced stages of negotiation with an American telephone operator

and a cable supplier to set up a \$50m joint venture for the project. British Waterways refused to identify the companies, but said the venture would probably be set up in January.

Acorn and Apple team up

Acorn and Apple, Britain and North America's best known home computer companies, are joining forces to develop a new design of computer chip with wide applications in business and industry.

They announced the formation of a new chip design company, Advanced Risc Machines (ARM), based in Cambridge and capitalised initially at \$5m. Acorn will hold 46 per cent of the equity. VLSI Logic, a US semiconductor manufacturer will also hold 46 per cent while Apple will hold eight per cent. Acorn is 80 per cent owned by Olivetti of Italy.

Motor industry productivity up

Productivity in the UK motor industry improved by more than 60 per cent between 1982 and 1988, Mr Derek Barron, president of the Society of Motor Manufacturers and Traders and chairman and chief executive of Ford of Britain said.

New vehicle output increased by nearly 40 per cent in the same period despite a 16 per cent cut in the motor industry workforce, he told the SMMT annual dinner.

According to German comparisons the total labour costs (wages and social costs) of the UK motor industry were lower than anywhere else in western Europe, including Spain.

Sunday paper closes down

The Sunday Correspondent newspaper has ceased trading. The closure comes just two months after the paper changed format from broadsheet to tabloid in a bid to stay afloat.

The paper, launched in September last year, said: "The board of the Sunday Correspondent Ltd announces with great regret that the company ceased trading at 5pm tonight."

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FT LAW REPORTS

Officers' severance pay claim fails

TACOMA CITY
Court of Appeal (Lord Justice Dillon, Lord Justice Balgobin and Lord Justice Leggatt)
November 14 1990

SEVERANCE PAY under National Maritime Board terms incorporated into a crew agreement, is payable to a ship's officer only after two years' continuous employment by the ship-owning company or by companies associated with it, not by common management, but through control by shareholding. But if severance pay is due, it is not "wages" giving rise to a lien on the ship with priority over mortgages, in that it is not part of the value of current service but is paid in respect of past service.

The Court of Appeal so held when dismissing an appeal by 20 plaintiffs in an action in rem against Tacoma City, Barclays Merchant Bank Ltd intervening as mortgagee. The shipowner, Reardon Smith Navigation Co Ltd (RSN) took no part in the proceedings.

LORD JUSTICE RALEIGH GIBSON said the claims arose out of the collapse in 1985 of the Reardon Smith Line and its subsidiary companies. The plaintiffs were all officers who served aboard Tacoma City. The shipowner, RSN, was one of the companies in the group.

The Reardon Smith group of companies announced at the end of May 1985 that they were ceasing to trade. The bank as mortgagee issued a writ in rem against Tacoma City on June 4 1985, and she was arrested. Leave was given to the bank to pay off the master, officers, and crew, and the ship was ordered to be sold. The master and officers were paid their wages by the bank. The ship was sold for \$1.54m. The Court declared the mortgage to be valid and gave judgment to the bank for \$1.1m.

The plaintiffs claimed severance pay totalling £118,582. If they were entitled to maritime liens in respect of severance payment, each would recover in full in priority to the bank. If the plaintiffs did not have maritime liens, the bank would take the whole of the proceeds of sale and the plaintiffs would recover nothing.

Mr Justice Sheen dismissed the claims. The plaintiffs now appealed.

In 1917 the National Maritime Board, a representative body, was set up to secure

co-operation between employers and employees of the British Mercantile Marine. The established service agreement currently in force was the 1973 agreement. An NMB redundancy payments agreement replaced the statutory scheme instituted by the Redundancy Payments Act 1965. After the dramatic decline of the British fleet in the late 1970s inadequacies in the NMB scheme became appreciated. Unions and employers negotiated a new "Company Severance Payments Agreement" for masters, officers and cadets. It was incorporated into company service contracts.

It was expected by the parties to the collective agreement that shipowners would continue to employ officers and seamen on separate crew agreements on each voyage. That was what happened between the plaintiffs and the Reardon Smith group.

Clauses 1 and 3 of the Companies Severance Payment Agreement provided for severance payments to masters, officers and cadets who "became surplus to the requirements of the shipping company... that employs them". Clause 7 provided that for the purposes of the agreement "service with a company includes service with any associated company".

The crew agreement on which the plaintiffs relied began at Cardiff on October 22 1984. It incorporated the NMB agreements, including that on Company Severance Payments. The main issue was whether the plaintiffs had proved a right to severance payment.

The first question was to what "shipping company" did the Severance Payment Agreement refer in "surplus to the requirements of the shipping company" and "company service".

In the Severance Payment Agreement as incorporated in the crew agreement, "the shipping company" must be a reference to the owner, RSN, as "the shipping company that employs" the officers.

It followed that the right to severance payment arose on an officer's becoming "surplus to the requirements of" RSN. That right was conditional on his having a minimum of two completed years of "company service with that company". As to the meaning of "com-

pany service", the question was considered by reference to the fourth plaintiff, Mr Prosser.

Mr Prosser had a company service contract with a management company which was a subsidiary within the group. He was signed off Tacoma City on June 21 1985. Before joining the ship on February 2 1985, he had served on a number of ships managed by that company. His last ship before Tacoma City was the Skeema, which was managed by the management company but owned by a Mexican company unconnected with the group.

The bank submitted that Mr Prosser had not a minimum of "two completed years company service" with RSN. He served in Tacoma City less than five months. The plaintiffs submitted that service in the Skeema and other ships was service with an "associated company" within clause 7.

The only connection between the companies which owned those vessels and employed Mr Prosser, and RSN which owned Tacoma City, was that all the ships were managed by the management company.

Mr Brennan for the bank submitted rightly that the Severance Payment Agreement was associated and agreed as a collective agreement against the background of the statutes relating to redundancy payments, and that "associated company" was intended to refer to association through control by shareholding.

Service with one shipowning subsidiary of a group would be capable of being "company service" with an "associated company" under the Severance Payments Agreement incorporated into a crew agreement made by another shipowning subsidiary within the group.

The connection of common management of ships was not sufficient to make a wholly-owned subsidiary of the Mexican corporation an "associated company" of RSN.

Mr Prosser had therefore not made out his claim to severance payment under the crew agreement with RSN, on the ground that he did not have the necessary two years of service with RSN or any associated company.

Miss Bucknall for the plaintiffs acknowledged that if that point was decided against Mr Prosser, the other plaintiffs could not succeed.

If the plaintiffs had been entitled to severance payments against RSN, the question was

whether their claims would have constituted "wages" so as to give rise to maritime liens on a ship.

Mr Justice Sheen concluded that claims to severance payments did not qualify as "wages".

Miss Bucknall argued that any sum was "wages" giving rise to a maritime lien if promised to be paid in consideration of service in a ship.

That could not be accepted. If, for example, payment of a pension on retirement age was promised by a shipowner by terms incorporated in crew agreement to be taken as a lump sum or by future periodical payments, that lump sum or the value of the pension or even the sums which fell due at time of termination of employment, though consideration for services, would not fall within "wages".

All the additions to wages, payable under special contracts, "which the mariner can be fairly said to have earned by his services" (per Chief Justice Wray in *The Arosa Star* (1989) Lloyd's Rep 396, 400) which had been accepted as giving rise to liens, had been claims which could be regarded as items in the quantification of the value of the current service in the ship.

Pension, as contrasted with contributions towards pension fund, was not part of the agreed value of the current service but was reward for past service. A pension, or a medical severance payment, or a redundancy payment were not part of the seafarer's current service, but were paid in respect of earlier service.

Severance payments under the NMB agreement were outside the concept of "wages" and provided no basis for maritime liens.

The appeals were dismissed. Appeals in respect of claims to wages in lieu of notice were also dismissed, on the ground that the relevant agreements were for voyages of stated duration without express or implied term as to notice for earlier termination.

Lord Justice Dillon and Lord Justice Leggatt gave concurring judgments.

For the plaintiffs: *Belinda Bucknall QC* (Inglewood Brown, Benson & Garrett).

For the bank: *Timothy Brennan* (Norton Rose).

Rachel Davies

Barrister

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Daniel Bertram Lambert Holdings Ltd

NOTICE IS HEREBY GIVEN, pursuant to Section 86 of the Insolvency Act 1986, that a meeting of the creditors of the above-named company will be held at York House, New Cornhill Rooms, Covent Garden Exhibition Centre, Great Queen Street, London, WC2R 8SA on Wednesday, the 5th day of December 1990 at 11.00 am, for the purpose of considering the proposed arrangement for the sale of the assets of the company.

Statements of claim, and proxy forms if applicable, must be lodged at 20 Farrington Street, London, EC6A 4PP not later than 12 noon on the 4th day of December 1990.

A list of the names and addresses of the company's creditors may be inspected, free of charge, at the office of HPMG Peat Marwick McLintock, 20 Farrington Street, London EC6A 4PP on 3rd and 4th December 1990.

Dated this 22nd day of November 1990.

By order of the board with the consent of the Joint Administrators

M. Fox-Andrews - Director

BRAND BROTHERS HOLDINGS

(COVENTRY) LIMITED

Registered number: 574287

Nature of business: Electrical Engineers

Trade classification: 27

Date of appointment of joint administrative receivers: 20 November 1990

Name of person appointing the joint administrative receivers: Midland Bank plc

JOHN FREDERICK POWELL and DAVID ROBERT WILTON

Joint Administrative Receivers (Office holder nos 249 and 250)

Cork Gully

43 Temple Row, Birmingham B2 6JT

VENUS CONTRACTS LIMITED

Registered number: 1304704

Nature of business: Interior Designers and Contractors

Trade classification: 26

Date of appointment of joint administrative receivers: 16 November 1990

Name of person appointing the joint administrative receivers: Midland Bank plc

JOHN FREDERICK POWELL and DAVID ROBERT WILTON

Joint Administrative Receivers (Office holder nos 249 and 250)

Cork Gully

43 Temple Row, Birmingham B2 6JT

LANGLAND CONSTRUCTION

(COVENTRY) LIMITED

Registered number: 1771944

Nature of business: Builders, decorators, contractors

Trade classification: 23

Date of appointment of joint administrative receivers: 20 November 1990

Name of person appointing the joint administrative receivers: Midland Bank plc

JOHN FREDERICK POWELL and DAVID ROBERT WILTON

Joint Administrative Receivers (Office holder nos 249 and 250)

Cork Gully

43 Temple Row, Birmingham B2 6JT

LANGLAND CIVIL ENGINEERING LIMITED

Registered number: 2262028

Nature of business: Builders, contractors

Trade classification: 23

Date of appointment of joint administrative receivers: 20 November 1990

Name of person appointing the joint administrative receivers: Midland Bank plc

JOHN FREDERICK POWELL and DAVID ROBERT WILTON

Joint Administrative Receivers (Office holder nos 249 and 250)

Cork Gully

43 Temple Row, Birmingham B2 6JT

VENUS ENTERPRISES (UK) LIMITED

Registered number: 2365757
Nature of business: Interior Designers and Contractors
Trade classification: 26
Date of appointment of joint administrative receivers: 16 November 1990
Name of person appointing the joint administrative receivers: National Westminster Bank plc

JOHN FREDERICK POWELL and STEPHEN TAYLOR ESQ
Joint Administrative Receivers (Office holder nos 249 and 787)
Cork Gully
43 Temple Row, Birmingham B2 6JT

THE BATHROOM TRADING COMPANY LIMITED

Registered number: 1632970
Nature of business: Importing and distribution of bathroom equipment
Trade classification: Other wholesalers

Date of appointment of joint administrative receivers: 16 November 1990
Name of person appointing the joint administrative receivers: Barclays Bank plc

JOSEPH PATRICK CONDON and Richard Anthony Smart

Joint Administrative Receivers (Office holder nos 258 and 259)

Cork Gully

Churchill House

Churchill Way

Cardiff CF1 4XQ

No. 68 of 1989

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

BIRMINGHAM DISTRICT REGISTRY

IN RE O P S LIMITED

(IN LIQUIDATION)

AND

IN THE MATTER OF THE INSOLVENCY ACT 1986

A public Examination of Paul Trevor Pres-

timley will be held at 10.15 a.m. on 19

December 1990 at The Court House, 4 New-

ton Street, Birmingham.

DATED this 22nd day of November 1990

R H BAYLEY

Official Receiver

Conventual Union House

22 Martineau Square

Birmingham B2 4LP

CORPORATE SECURITY

The FT proposes to publish this survey on December 13 1990. It will be of particular interest to the tens of thousands of Directors & Managers who make decisions regarding the purchase of security services who are also regular FT readers. If you want to reach this important audience, call Jessica Perry on 071 873 4611 or fax on 071 873 3062.

FT SURVEYS



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MANAGEMENT

Free markets versus interventionism

The business case for Labour

Robert Bischof offers a personal perspective

Recent events may have administered some sharp kicks to the Conservatives, but one thing has not changed: the Tories are still regarded as the natural voting habitat for those who toil in commerce and industry.

Perhaps it is time for some new thinking in the boardrooms with some serious consideration being given to where the best interests of business really lie. There is plenty of evidence that unbridled free-for-all capitalism may no longer be the best way, and that what business in Britain needs is the kind of managed economy that has, for example, served Germany so well and is now being offered by the new, moderate Labour Party.

As the former West Germany discovered, a totally different set of tools is required to keep economic activity at a continuously high level rather than a succession of medium-term booms followed by periods of pain. Consistency of economic activity is crucial because it encourages secure, long-term patterns of investment.

The Barber and Lawson booms had another effect; they sucked in imports and lost market share. Once lost, market share is rarely recovered. My own company, which imports German-manufactured forklift trucks, has good reason to erect bronze busts of Barber and Lawson in our boardroom. We owe them much!

All this is not to deny the achievements of Thatcherism. The Thatcher glory years from 1979 to 1988 produced a little *Wirtschaftswunder*, based on deregulation, reduced union power, support for small businesses and a hard-nosed capitalist ideal of free trade and a minimum of state interference.

There is an interesting parallel with that other *Wirtschaftswunder*, the rise of West Germany following the Second World War. During these years the German economics minister, Ludwig Erhard, pursued a policy of unrestrained capitalism where the market ruled and the state did not interfere. But once the economy reached a peak in the mid-1960s, he failed to maintain this high level and was ousted.

During this boom period the Social Democratic Party (SPD) lost election after election until it moved decisively from the left towards the centre. Under Willy Brandt, Helmut Schmidt and the economics minister, Karl Schiller, the new SPD motto became "Market economy as much as possible; state interference as little as necessary". The new market economy was born, with its goal of prosperity and social harmony.

The parallels with British politics are obvious, with Margaret Thatcher in the role of Erhard and the Labour Party under new leadership moving like the SPD from the left to the centre. Labour should now be able to manage today's economy better than the Tories. It has moved out of its ideological trap of being com-

The German experience clearly shows that in some areas of business activity 'more state', not 'less state', is needed

mitted to socialism and learned the lesson. The Tories moved further to the right under Thatcher and will now have to find a new position.

The free-for-all economy means that companies have to pay too much attention to short-term profitability and far too little to long-term market share, which is what Japanese and German companies can afford to concentrate on. Mergers and takeovers have a destructive influence on companies' long-term survival that outweighs their perceived functions of making firms leaner and fitter.

In these areas there is a definite role for government. Let us look at some examples. In Britain pension funds and institutions are under constant pressure to get top performance from their funds. League tables are published monthly.

In Germany, equity holding by pension funds and insurance companies is restricted to 15 per cent of their total portfolio and they are only allowed to invest in companies with a respectable gearing.

If this or something similar was introduced in Britain, it would relieve the enormous

pressure on companies having to impress the city with ever-increasing profits. Such profits can often only be achieved by acquisitions based on increasing borrowings.

In Germany, many of the laws regulating business came about because of economic problems in the 1930s. But they have since proved to be a stabilising influence.

The German experience clearly shows that in some areas of business activity "more state", not "less state" is needed. At present it appears more likely that a Labour government will attack such issues more vigorously than a Tory party wedded to a "no intervention" policy.

Another area crying out for state involvement is interest rates. In Germany, Austria and

Switzerland, there are still usury laws which make financial transactions illegal if they carry an interest rate higher than approximately 4 per cent over base rate. A higher rate than this is seen as exploitation of borrowers who are socially weak, uninformed, or both. Interest rates are a very questionable tool anyway, but the excessive rates in the UK on credit cards, overdrafts and hire purchase are intolerable.

Laws restricting interest rates have important macro-economic implications. The free availability of credit which feeds on high rates has made the management of macro-economic demand extremely difficult. This was shown in the boom that followed the income tax reductions of 1988. Much more important, though, is the fact that high interest rates have a nasty side-effect of redistributing income and wealth from net borrowers, who tend to be the socially less affluent, to the net lenders, who are the high earners and wealthier people in society.

Another example of government reluctance to involve itself in industry relates to the slow payment by companies of their bills. A measure designed

to force companies to pay interest on amounts not paid in an agreed time was talked out in the House of Commons. Absence of such a measure not only harms small companies but keeps more than 100,000 totally superfluous credit controllers on the payroll of companies.

Clearly, here again there is a role for the state to set the rules.

But successful government is not just about regulation; it must also have wider ideals and policies to support them.

In Germany, after the Erhard years, the concept of the social market economy included a desire for social harmony between employers and employees. This ideal has also been adopted by the Conservative Christian Democrats. Today Helmut Kohl speaks of *Soziale Marktwirtschaft* as if he invented it.

The Common Market's Social Charter is another expression of this desire for social harmony. Yet Thatcher saw it as "socialism by the back door" and it is likely that this could lead to further conflicts with any Tory government. A Labour government, on the other hand, would have few problems in accepting the Charter.

For business there is another extremely important area where Labour should do better than the Tories: education and training. Labour should be able to do a deal with the unions to re-introduce proper industrial apprenticeships.

In Germany, for example, there are about 2.8m young people serving apprenticeships. Such a system needs state involvement in setting up training facilities and colleges as well as providing the necessary cash to pay for them.

Communism and socialism are now dead. Unrestrained Anglo-Saxon-type capitalism does not appear to work so well either. The search must be for a middle of the road approach. In Britain it may be the new-look Labour Party that seems most likely to find it, unless there is a real about-turn in the Conservative Party.

Robert Bischof is chairman and managing director of Jungheinrich (GB) Ltd.

Well-qualified women enter employment in the UK in similar numbers to men. At every fence on the way to the top, however, women fall in greater numbers than their male colleagues.

Only one in four junior managers is a woman, and by senior management level the number of women left is reduced to just one or two per hundred managers.

There is no single reason why women are so under-represented; there is no one career stage at which they suddenly disappear. Their failure to reach management is a cumulative process.

This is the conclusion of a study jointly published today by the National Economic Development Office and the Royal Institute of Public Administration. The report draws together strands of research to present a clear picture of under-achievement - one that is unlikely to change very much unless some of the basic rules of work are redrawn, argues Nedo.

The report aims to convince the overwhelmingly male body of chief executives and senior managers that they are missing out. Only half of all potential talent is currently being tapped; organisations which find ways of tapping the other half, it is argued, will gain a competitive advantage.

Some evidence also suggests that men are becoming "reluctant managers", no longer content to sacrifice their health and personal relationships for their jobs.

Perhaps, too, ambitious men in their thirties and forties are finding working life more stressful than the generation of managers before them; they are less likely to be serviced and supported by wives at home.

All this comes at a time when an actual increase in the number of managers is required; broadly defined, there are currently up to 3m managers in the UK and forecasts suggest that a total of around 700,000 additional managers will be needed by the year 2000 as opportunities continue to expand in the high-skill areas of employment.

The role of management will change as adding value rather than squeezing costs becomes the key to remaining competitive, Nedo observes. In future, management is "likely to be less about issuing orders and keeping subordinates in check and more concerned with building relationships in and

Women's careers

Re-writing the rat race rules

Diane Summers reports on suggested moves necessary to tap all potential talent

outside the company". This shift is likely further to increase the value of women managers, it is argued.

The Nedo study does not go as far as suggesting that the supply of suitably-qualified managers is about to dry up. It does, however, point to some strong reasons for understanding the current construction of the hurdles and why women fail to surmount them.

Organisations then have the opportunity to decide whether they are going to make it easier for women to compete successfully or, more radically, whether they are going to rewrite the rules of the race.

Women's early career choices may dramatically reduce their opportunities. They are concentrated in areas with poor career prospects, like secretarial and clerical work. Even when they go for higher status occupations they may miss the right track to promotion.

Senior or general managers are not usually drawn from jobs that are seen as the support, rather than the central functions, in a business. Women tend to go into these support-type jobs.

In insurance they are more likely to work in personnel than to be actuaries; in retailing they are more likely to handle staff management than store management; in manufacturing, women are more likely to be in sales than production, Nedo points out.

"Promotion out of a support function is not easy. Employers argue that candidates with this type of background lack the real business understanding needed for senior or general management," the report says.

Even women who make a promising start may subsequently fail when they cannot construct the kind of track record seen as essential for promotion to management grades. An unbroken employment record, willingness to work long hours and geographical mobility (often an imagined rather than real need of

of action. The Nedo study characterises these as the "life is work" and "life and work" approaches.

Under the first, employers remove some of the extra hurdles women face but continue to insist that women must reach management posts in the same way as men. In other words, that they must work continuously and full-time, fitting in domestic commitments around their jobs.

This traditional approach would include, for example, encouraging women to improve their professional qualifications and making science and manufacturing careers more attractive. It would also include the various child-care options that some employers are beginning to consider such as workplace nurseries and childcare vouchers.

"This approach may be the quickest short-term route to increasing the number of women managers, but it may not have the kind of dramatic results companies expect," Nedo points out. The approach assumes a male way of life and work and ignores many of the social changes of the last decade.

Parents who wanted to be managers would still find themselves with inadequate time off to spend with their children and late starters would still be considered too old for training and promotion.

The life and work approach starts with an acceptance that current managerial careers often make unreasonable demands on men as well as women.

The radical consequences of such an approach would mean redesigning managerial jobs to make part-time work more realistic, as well as revisiting some basic assumptions about managerial careers. For example, are continuous employment and geographical mobility really necessary?

Flexible career break schemes with returner programmes and new attitudes to age, allowing late starters and mature students access to managerial careers, would also have to be considered.

"The first approach removes some of the extra hurdles women face but the second brings them down in height," says Nedo. In reality, the approaches are not alternatives but complementary ways of eliminating unnecessary obstacles, the study concludes.

Women managers: the untapped resource. Nedo in association with RIPA. Published by Kogan Page, £2.95.

Proportion of women managers

Top management 1%

Senior and middle management 4%

All management 27%

Source: NEDO

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FINANCIAL TIMES SURVEY

HERTFORDSHIRE

Wednesday November 28 1990



New towns and garden cities led to the first wave of investment into Hertfordshire. The

green image, together with the county's proximity to London, remains a powerful magnet. But is there a danger of overheating?

Stewart Dalby investigates

Maintaining the balance

LESS than a year ago, Hertfordshire was like a city centre car park - full.

Officials at Hertfordshire County Council like to talk of successive waves of investment and relocation, both of companies and people, leaping into the county.

The initial wave came in the early years of the century with the first of the garden cities, Letchworth and Welwyn Garden City. By the 1930s, engineering and other manufacturing concerns, particularly those involved with the new consumer industries, were drawn out of the industrial grime of the cities into these green, well-planned open spaces. Then, in the 1940s and early 1950s, a second generation of new towns such as Hatfield, Stevenage and Hemel Hempstead attracted newer types of concerns - defence, aerospace and pharmaceutical groups.

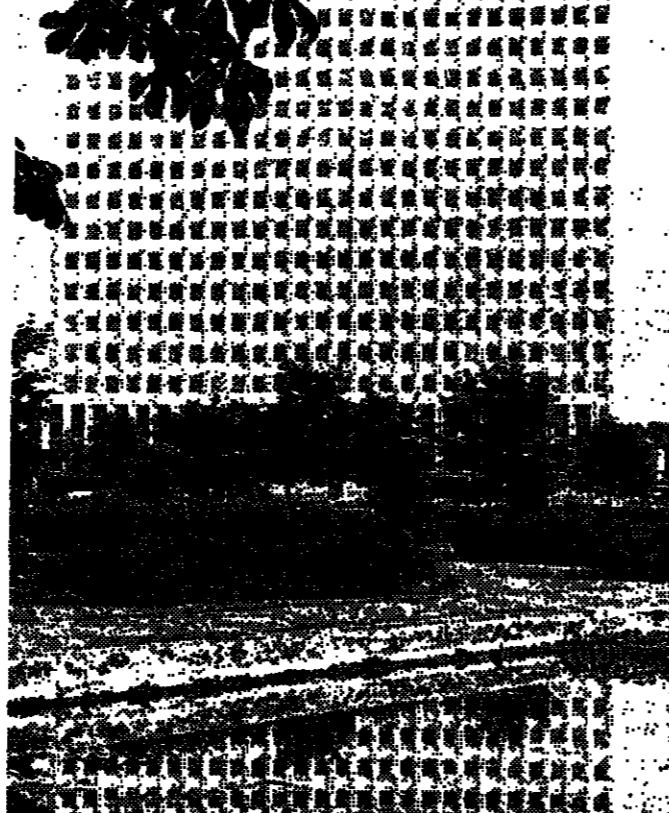
The pharmaceutical companies arrived for broadly similar reasons to the earlier wave. Local authorities were offering plenty of space (as well as incentives) in what was a benign environment for companies associated with the health industry.

The aerospace industry developed a presence in Hertfordshire partly by design, partly by accident. Hatfield had an airfield, which the de Havilland Aircraft Company (as it then was) bought in the 1930s, finding itself cramped for space in Edgware. Today British Aerospace, a descendant of de Havilland, still owns some 800 acres, including the airfield. The site is the headquarters of the company's civil aviation division.

By the early 1980s, Hertfordshire had what was said to be the heaviest concentration of high technology concerns in Britain, together with a core of older, so-called 'metal bashing' companies.

The recession of the early 1980s resulted in an exodus of many of the older concerns to places where land and labour was cheaper. The original diaspora from London of the manufacturing groups spread further afield.

Job losses - unemployment did rise to over 7 per cent, historically very high for Hertfordshire - were made good by a third wave of immigration, this time largely of service companies. They were attracted not just by compara-



As the home of the first garden cities, Hertfordshire is conscious of its green image and is determined to maintain its feeling of rurality

tively lower overheads but by the proximity to London and the communications infrastructure. The influx was given a particular impetus by the completion of the M25 motorway in the mid-1980s. It runs right through the county and links up with the M1, the A1(M) and other important north-south arteries.

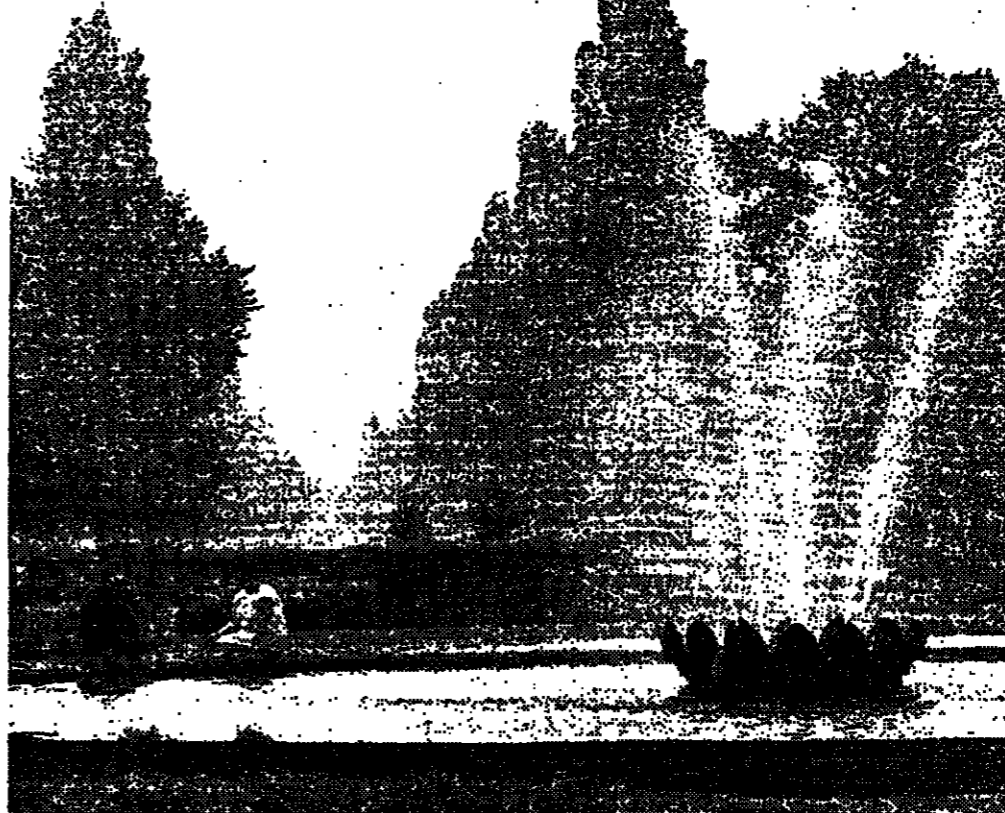
The good communications - rail links to London were greatly improved in the 1980s - meant a number of people wanted to live in the spacious, comfortable environment that the county offers and commute to London.

The influx of people and companies (Hertfordshire now has a population of just under 1m although, at 630 sq miles, it is relatively small) has brought in its wake major retail schemes like the Brookfield Centre in Broxbourne, the Howard Centre in Welwyn Garden City and the Galleries in Hatfield. Some of these may

look a touch forlorn with the recent downturn in consumer spending, but pressure for further ambitious retail schemes has been quelled.

By the start of the 1990s, Hertfordshire was looking full - at least, those parts of it the county and district authorities will allow to be developed for industry, offices and housing. As the home of the first garden cities, Hertfordshire is conscious of its green image and is determined to maintain its feeling of spaciousness and rurality, in spite of its proximity to London and comparative smallness.

Not only was the county full, it was beginning to overheat. Unemployment was down to 2.8 per cent. Major companies say there has been a problem in finding skilled labour, particularly science or engineering graduates, because they could not afford the high house prices; a problem which had become acute by 1988. Short-



ages of skilled labour, the high cost of housing and land, and the general congestion, were pushing up costs and making the county a less desirable place to be than hitherto. Neither were the local authorities vigorously promoting the area.

The heat has been drawn to some extent by the slowdown in the economy. The housing market, as elsewhere, has become static and a number of large companies, including BAE and SmithKline Beecham, are reorganising.

Mr Brian Briscoe, the new chief executive of the county council, says: "I would never argue that recession is a good thing for companies, but a slowdown does give an opportunity to restructure and change and this is what many companies are doing."

Mr Simon Smith, an economist with the planning department of the county council, feels that with or without a recession, Hertfordshire was

not and will not become as congested and overheated as the Thames Valley, although he admits that there is a comparative shortage of greenfield sites.

Mr Smith says, however, that tens of thousands of square feet of B1 type property is available, because the process of older manufacturing concerns moving to cheaper climes is continuing. Properties are continuously being upgraded and refurbished. Mr Smith maintains that companies involved in development, research and marketing will be able to find premises; existing companies will be able to expand. Rents of between £20 and £30 a square foot for B1 light industrial/office type properties make the county competitive with other areas around London.

High technology companies involved in aerospace and electronics will want to remain in Hertfordshire, as will pharma-

ceutical concerns. They want to be close to London because the Ministry of Defence is there. So too is the medical establishment. There are advantages in locating between the three main universities of London, Cambridge and Oxford.

Companies and county officials admit that the high price of housing has been a difficulty in persuading graduates and other skilled labour to set up in Hertfordshire. However, unlike the Thames Valley and other parts of the crowded south-east, Hertfordshire does have a cheaper catchment area to its north. Newcomers might consider areas 15 miles north of Stevenage, where property is reasonably priced.

There is a pool of skilled and labour in Hertfordshire, another reason why certain kinds of companies want to be there. To ensure this continues the county council has warmly embraced the new Training

IN THIS SURVEY

■ **Economy:** the old 'metal bashing' have moved out, to be replaced by a new wave of high-technology and service companies

■ **Transport:** a tidal flow of motorway traffic and commuting, together with the intricacies of travel in a rural environment... Page 2

■ **Profile:** three British Aerospace divisions are located in the county

■ **Pharmaceuticals:** some 17 drugs companies have a presence in the county, including Glaxo, Roche and SmithKline Beecham

■ **Education and training:** new initiatives have been set up in a bid to stem the skills shortage... Page 3

■ **Property:** there is no shortage of office and retail development

■ **Stansted:** London's third airport is sure to have a dramatic effect... Page 4

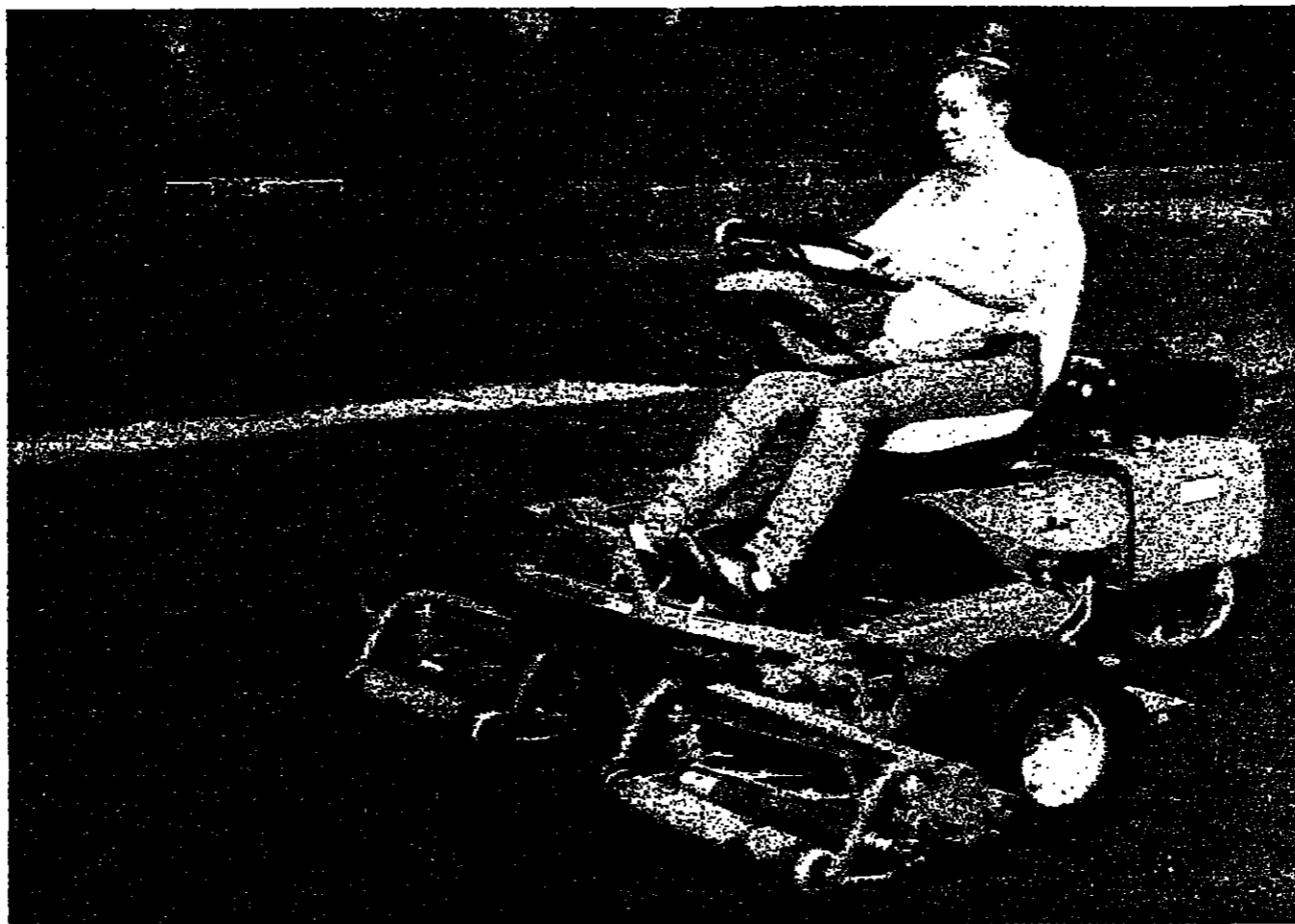
and Enterprise Council, which is involved with local employers, the polytechnic and colleges of further education.

Hertfordshire may appear congested, but it is a county of small towns with no massive population centres. Many are new towns, and are as such better laid out than older cities. Hertford, Watford, Hemel Hempstead have their rush hours, but nowhere does congestion seem as daunting as in Slough, Reading or Bristol.

While the county might seem fully developed in terms of industry and commerce, however, it does not appear overheated or overcrowded. Housing apart, nor does it seem particularly expensive, even though it is close to London.

For the moment, it seems to have struck a reasonable balance between being a nice place to live and a convenient location to work.

We're sowing the seeds ...



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PROFILE: British Aerospace

A powerful marketing weapon

BRITISH Aerospace's long association with Hertfordshire and its high profile mean that it is often seen as a major force in the county's economy.

However, the BAe companies in the county do not figure large in the group's overall employment or turnover totals. BAe employs 132,000 people worldwide; group turnover (including Rover and Royal Ordnance) was £9bn in 1989. The companies in Hertfordshire, although part of larger, more widely-spread divisions, employed just over 11,000 people directly in the county, and accounted for turnover of more than over £2bn in 1989.

There is no compelling reason why the three BAe units should remain in Hertfordshire, but equally, there is no reason why they should leave. The land was bought cheaply; the marketing arms of the companies are close to London and the Ministry of Defence; and, above all, a body of skilled labour has been built up which would probably not be available elsewhere. At a time when UK defence spending is on the decline, stable workforces are important.

BAe has been in Hertfordshire since the 1950s when the de Havilland company, feeling crowded in its plant in Edgware, bought an airfield in Hatfield.

De Havilland was incorporated into Hawker Siddeley Aviation in 1960. Hawker Siddeley Aviation was nationalised in 1977, along with British Aircraft Corporation, Hawker Siddeley Dynamics and Scottish Aviation, to form state-owned British Aerospace. In turn, BAe was privatised in two stages, in 1981 and 1985.

BAe's civil aviation division now employs 20,000 at seven sites in the UK: Farnborough in Scotland, Chadderton, Chester, Filton, Woodford and Hatfield, where the company employs 4,500 people on an 800-acre site. Main work at Hatfield includes the BAe 146 regional jet aircraft, which comes in three sizes offering seating for between 70 and 122 passengers.

The highly successful BAe 125 business jet has also been produced at Hatfield; altogether, some 750 aircraft have been delivered to customers in 40 countries. BAe at Hatfield has also maintained a continuous involvement in the Airbus family of aircraft.

Also at Hatfield is a marketing division which is involved in selling other aircraft, including the Jetstream 31 (made at Farnborough) and the Advanced Turboprop (assembled at Woodford and Chadderton).

The other two BAe companies in Hertfordshire are BAe Space and BAe Dynamics at Stevenage. The space division grew out of the company's involvement with intercontinental ballistic missile projects, such as Blue Streak, but now concentrates on communications satellites. Current projects include five first-generation European Communications Satellites for the International Maritime Satellite Organisation, three SkyNet 4 military communications satellites for the UK Ministry of Defence and two Nato IV military communications satellites.

Employing 1,800 people, BAe Space is also a partner with Matra Espace of France in Satcom International, which has been marketing the medium-sized EuroStar platform. The company is looking to expand



BAe has sold some £4bn worth of Rapier surface-to-air missiles

in the areas of communications services, satellite news and business news.

By contrast, BAe Dynamics at Hatfield has seen considerable upheaval in recent years; once employing 11,500 people, the workforce has been slimmed to 5,200. Turnover is around £700m.

Dynamics now concentrates on guided weapons systems for the UK armed forces. These include ground-launched weapons such as the Rapier family of anti-aircraft missiles and a range of anti-armour systems.

Some £4bn worth of Rapiers have been sold. The system has been sold to a dozen overseas countries and protects RAF airfields and United States Air Force bases in the UK.

Air-launched weapons include the Sky Flash medium range missile which equips the Tornado interceptor. BAe Dynamics is also developing the Air-Launched Anti-Radar Missile (Alarm), an advanced defence suppression missile for use against enemy radars.

In addition to guided missile systems, BAe Dynamics produces a range of aerospace and defence electronics equipment for which BAe Systems and Equipment (Base) handles the marketing. Base is responsible for avionics, communications, underwater systems, weapon control, actuation and sensors, advanced materials and mechanical products, military electronics and electronic warfare and security systems.

Stewart Dalby

Glaxo, Roche and SmithKline Beecham all have a presence in the county

Green image suits drug companies

IT WOULD be nice to think that the concentration of pharmaceutical and healthcare companies in Hertfordshire arises from a desire to be in a benign environment.

As an official history of the Roche Group says: "The Roche company of the 1930s and Welwyn Garden City were, it would seem, made for each other. The company was becoming increasingly successful in an innovative and expanding industry; the Garden City was the practical embodiment of a bold idealism, breaking away from the staid factories and the sprawling slums spawned by the industrial revolution and creating instead, a pleasant, modern setting with plenty of space, light and air, for people to live in and work."

At a time when health and environmental issues are being increasingly taken into account, it is appropriate that pharmaceutical concerns should be located in a spacious, clean setting.

But the fact that there is a cluster of health care companies in Hertfordshire owes as much to accident as design.

The Roche history goes on to say: "Hertfordshire, together with the Thames Valley, were the first relocation sites away from an increasingly dirty and overcrowded London. The Garden City authorities in the 1930s and the new town leaders in the 1940s and 1950s were keen to attract companies and people into what were then empty acres - especially if the companies were 'green' and therefore compatible with the philosophy of environmentally-friendly industry."

For the pharmaceutical companies, the proximity of London and Cambridge University and the fact that other pharmaceutical companies are nearby are equally compelling reasons to stay in the county.

The presence of a number of similar companies encourages labour mobility and means that wages tend to be bidded up.

Some 17 pharmaceutical companies have a presence in Hertfordshire. Merck Sharp and Dohme (MSD), Glaxo, SmithKline Beecham and Bristol Myers have a significant representation in the county.

For Glaxo, the fact that Hertfordshire is between three universities (Oxford, Cambridge and London) is important. The bulk of the company's production is in the north of England and Scotland, but Glaxo is currently consolidating its research activities in a £500m investment on a 70-acre site in Stevenage. The company still has staff in Ware and elsewhere in the south-east, but some 1,200 biologists and chemists will be employed at Stevenage. Together with local staff, Glaxo will employ more than 2,000 people in Hertfordshire.

"We need to be near London because that is where the marketing is done, but we also have a close relationship with Cambridge," says company spokesman, Mr Anthony Connolly. There are joint research programmes and many graduates are recruited from Cambridge.

The Roche group also values the closeness to London. The company first acquired a six acre site on a 99-year lease in Welwyn Garden City in the 1930s.

The company employs

around 850 people in Welwyn and has a turnover in the UK of around £200m. Although described as a pharmaceutical company, the bulk of Roche's UK turnover comes from the sale of vitamins and other consumer health products. However, it does have two current drugs which are selling well, the anti-arthritis Mobiflex and the anti-Parkinson's Disease drug Madopar.

Given that Roche exports a lot of its products, there is some concern that Britain's entry into the exchange rate mechanism of the European Monetary System will bring pressure on margins.

There is no suggestion, though, that the company will move away from Hertfordshire. As with Glaxo, proximity to London is important. There is co-operation with Cambridge University and a major research programme into an anti-Aids vaccine.

Like other drugs companies, Roche spends around 15 per cent of its revenues on research and development. Much of the company's production is carried out at a plant in Scotland, so there is no pressure to expand in Hertfordshire.

If there is a problem, it is that high house prices have made it difficult to recruit graduate scientists.

SmithKline Beecham's chief executive, Mr Stewart Siddall, says it makes sense for pharmaceutical companies to merge and grow because of the high costs and the time consumed in developing new products. It can take 12 years and £100m to develop a new drug.

Pharmaceutical drugs account for some 51 per cent of SKB's worldwide turnover. In the past SKB has done well out of its Tagamet anti-arthritis drug, but this can now be produced generically, and SKB, like other companies, is researching new products.

SKB employs over 1,000 people in Hertfordshire, with Welwyn Garden City the main centre.

Although some production has been relocated to the old Beecham plant in Crawley, West Sussex, the company plans to stay in Hertfordshire.

Stewart Dalby

EDUCATION AND TRAINING

Initiatives to beat the skills shortage

IN MANY ways, the modern British classroom originated in Hertfordshire during the pioneering days after 1945, when London went north to green fields and new towns.

The 50 per cent increase in population between 1931-51 sparked the need for 175 new schools in 15 years. The then Education Officer, Mr John Newsom, and his architect, Mr Strutt Johnson-Marshall (later chief architect at the Ministry of Education) set the pattern.

The method they chose was so fundamental that it is extraordinary to think it had to be invented at all: while the classrooms were painted in primary colours, the furniture was scaled down to fit the children in bright, open rooms.

A tradition of innovation is now part of the education system in the county at primary, secondary and tertiary levels. The latest movement is as fundamental as the efforts of the pioneers: collaboration with industry is the theme.

Hertfordshire is in the midst of the biggest upheaval in further education in Britain - the merger of its 10 colleges into four new bodies designed to meet the needs of a high-tech county suffering an acute skills shortage.

Dr Al Rennie, director of the Local Economy Research Unit at Hatfield Polytechnic, paints a graphic picture of the county's recruitment difficulties.

With 96 per cent of Hertfordshire enterprises employing less than 25 people, the ability of employers to overcome perceived skills shortages is acute. "Poaching" in many sectors has led to a local wage spiral which does nothing to improve the local economy's skills base.

With a 4 per cent unemployment and 10,000 out of work for more than six months, there are 18,000 vacancies in the office, retail and high technology sectors, all demanding new skills.

The interface between the skills shortage and the people with potential skills is the Training and Enterprise Council (TEC). Managing director, Mr Chris Wright, says: "What we are trying to do is pursue a policy of working in partnership."

Working as "enablers" in the community in close association with the county council, several initiatives have flown from the realisation, backed up by market research, that many local businessmen were confused about the schemes available and their goals. Now targets have been agreed with the help of the county council, including work placement for all 15-16 year old pupils.

Small Business Market Classes, run jointly with the local Institute of Directors, aim to fill one need and a Business Lifeline will provide an on-line counselling service. Mr Wright points out that the TEC had to accept that in the present economic conditions many businessmen were interested, bluntly, in survival.

The TEC has an Enterprise Portfolio of £2m, but most is taken up by the Enterprise Allowance Scheme, leaving £600,000 for further work. Mr Wright was encouraged by comments in the chancellor's Autumn Statement on greater flexibility for TECs.

A Development Charter for local companies on training and a Business Award Scheme are another two schemes under way alongside the Training

There are 18,000 vacancies in the office, retail and high-tech sectors

and Enterprise Network, a labour market intelligence forum.

Perhaps the TEC's most significant success came with an advertisement in local newspapers asking women if they wanted to take part in a Back to Work training scheme: 170 women (some of whom had been out of paid work for 16 years) applied for the first 25 places. The scheme, which is to expand to a 500-place programme, is the largest run by any of the UK's 82 TECs and has attracted 3,000 enquiries.

Asked what many businessmen are doing wrong in the training field, Mr Wright is straightforward: "Industries are not doing it all." But Mr Wright believes that the TEC, "energised" by its move away from the public sector, can help. He points to the strong "business dimension" provided by the controlling board.

Nor is the TEC's work exclusively for the highly-skilled in a high-tech market. The Action Trust has been hired to provide a study into long-term unemployment in Hertfordshire at a cost of £50,000. Local firms are being encouraged to practice equal opportunities, provide crèches and flexible hours. In Berkhamstead, the TEC has enabled a group of small companies to pool resources for a day care centre.

There is also an emphasis on support for links between education and industry. Schools have access to a £50,000 fund for training schemes with industries that have a proven track record. "We are trying to achieve maximum leverage," says Mr Wright.

In further education, a massive restructuring is underway. Mr John Evans, principal assistant education officer for further and higher education, says: "What we have wanted to ensure in the county is that we have got colleges that service the needs of the local communities, business and public, and others."

A review of the county's further education found that it was geared to 16-19 year olds. The perceived need was for adult training, retraining, technical skills and skills updating. "We needed larger institutions with a larger resource base," says Mr Evans.

The 10 former colleges, which will preserve their individual strengths such as Watford Technical College's printing technology or North Herts College's business studies programme, are to merge into four new institutions. New governing bodies will have a strong business input; members include Hertfordshire TEC, Tesco, Glaxo, John Lewis, Midland Bank, BAe, the travel agents' association Abta, and the National Farmers Union.

Within the colleges there is a growing tradition of partnership with industry and it is commonplace for the Department of Trade and Industry to match investment in training and equipment on a pound-for-pound basis.

"This is about improving the skills base for Hertfordshire," says Mr Evans. It is a strongly

practical programme and 60,000 of the county's 70,000 students in further education are part-time. New investment will bolster the new institutions and £12m is being spent on the Watford College Rationalisation project alone.

Europe will also play its part in the pattern of further education. The European Social Fund is providing a £300,000 grant for the training of women and those returning to work, and the 1992 dimension forms an important part of many courses.

Hatfield Polytechnic, now independent, has 5,000 students and six faculties, and aims to reflect the needs of industry in its undergraduate courses. It also sells its expertise to local companies, both in the form of consultancy and short courses.

The short courses are tailored to meet the demands of employers: such as stress engineering for BAe, software engineering and microprocessing courses at Marconi and a staff management programme for supermarket chain Tesco, which has its headquarters in the county.

Mr Malcolm Instone, deputy to the chief education officer, says that while it will be difficult for the county to maintain its reputation for thrusting initiative within a national education system, he hopes that it will still be able to exercise expertise as a pioneer.

The county was a pilot authority for the national Technical and Vocational Initiative, which has blossomed in an individual form as the Hytec project at a former Stevenage Infant school which has been transformed into a "stimulated" manufacturing company. Some 1,000 county sixth-formers alone pass through Hytec each year and spend one week role-playing in the production sector.

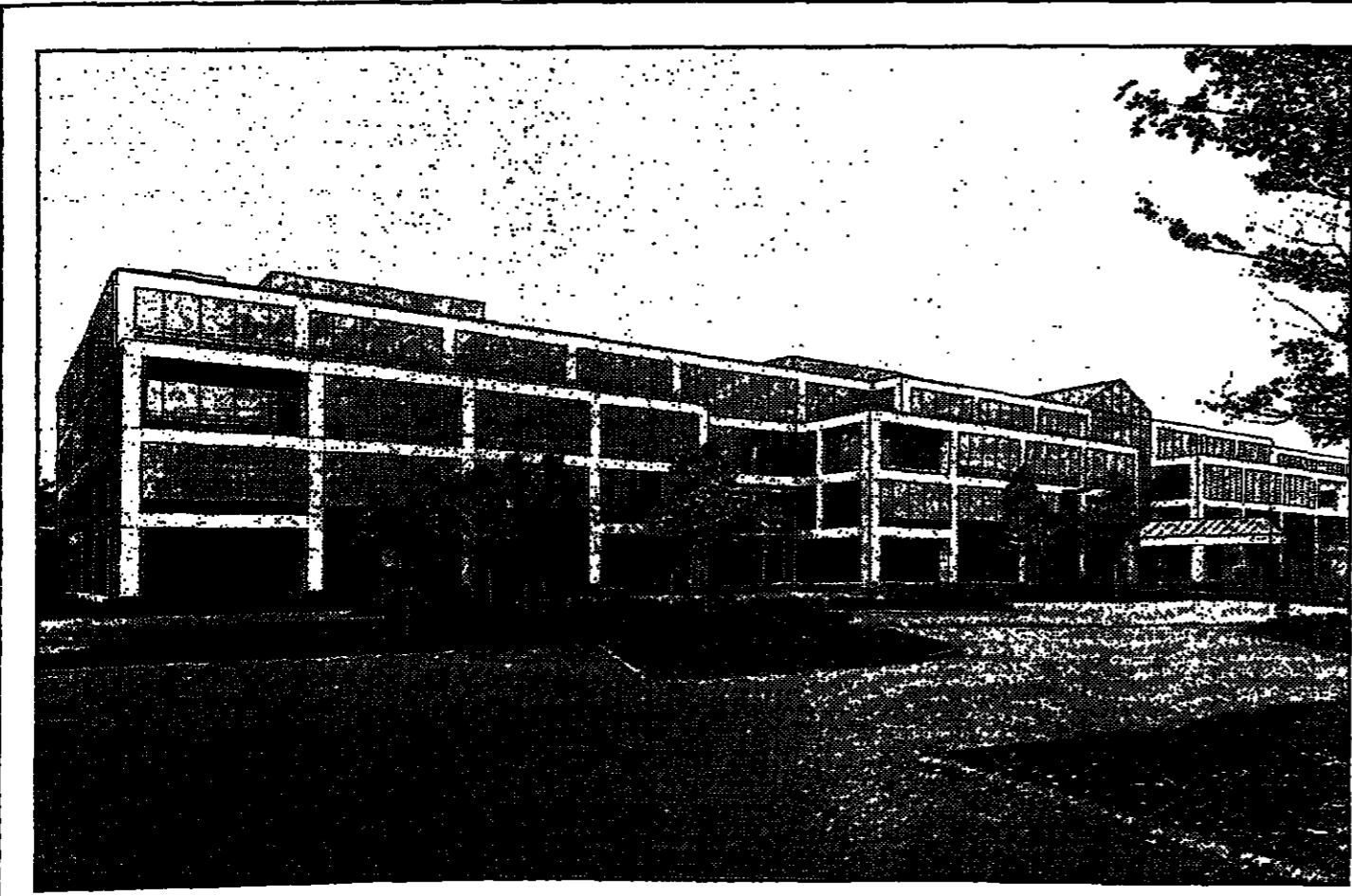
Another local success is HATS, the Hertfordshire Action on Teacher Supply Project. Funded jointly with British Petroleum, the project was designed to seek out and counsel those in industry who might wish to teach. The key sectors were mathematics, science and craft design and technology. A 120 mature instructors have now moved over from industry and the project has evolved into the government's licenced teaching programme.

The Hertfordshire Engineering Education Project provides problem solving experience for young engineers and now operates on a tripartite basis with projects in Germany and France; input from Denmark and Portugal may be added in the near future.

Despite the current fashion for linking education with the practical world of industry and production, Mr Instone is careful to stress that primary and secondary education in the county is still "pre-vocational" and that there are dangers in early specialisation. The aim is still to produce children with a broad education.

Mr Instone believes that post-education reform Hertfordshire can allow schools an autonomous role while still providing an umbrella of influence. A new partnership should preserve the "distinctive character and reputation" of the county: "We want to take initiatives - we want to continue to be pro-active."

Jim Kelly



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HERTFORDSHIRE 4

Analysts argue that the county faces oversupply, writes Jim Kelly

Recession hits property market

THOMAS Malthus, who pointed out the disparity between the geometric growth of population and the arithmetic growth of food supply, would have found an application for his theories in Hertfordshire's property sector.

Malthus, as a late 18th century economist at the East India College at Haileybury outside Hertford, would have looked out across the green fields of this rolling home county.

During the last decade, those open spaces have been threatened by an overheating local economy. The growth of economic activity has been geometric: land supply is arithmetic at best.

The depth and length of the current recession are crucial to future property development and values.

Dr Al Raimie, director of the Local Economy Research Unit at Hatfield Polytechnic, says that it could be argued that the county faces oversupply. Light industrial and office development are vulnerable, says Dr Raimie: "If (office buildings) are springing up all over the county, the landscape is going to be littered with steel dinosaurs. Historically in a recession Hertfordshire has gone in late and come out early. A considerable number of people believe it may be different this time around."

Dr Raimie believes the local economy is on a cusp, creating a nightmarish situation for planners who must decide if office development is going to soar into oversupply or be the economic saviour.

There is also a contradiction between rising unemployment and the perceived skills shortage which has already led to some outward investment.

While many developers continue to paint a bullish picture of Hertfordshire's land value potential, the Local Economy Research Unit identifies some cause for concern. First, the reliance on defence industries; second, the global restructuring of the pharmaceutical industry; third, in the recession in computing, and lastly, the high cost of housing, which is proving a barrier to attracting skills.

Dr Raimie says there is also evidence that London problems, such as house prices and travel times, have migrated out to the county, along with those companies which have relocated.

This, he says, may prompt a further phase of relocation.

The recession, in the housing market at least, has taken some of the steam out of the overheating machine. Mr Adam Sanders, of William H Brown in Ware, says that in 1988 a three bedroomed semi-detached house would have cost £150,000 in Ware; it would now command £95,000.

"We do not think the prices are likely to rise for at least another nine months - and there is still going to be some movement downwards", says Mr Sanders.

He points to a 25-30 per cent reduction from the peak of the market.

The upper end of the market in the county, priced at above £400,000 with an acre and a

half of land, has dipped by 20 per cent.

At the lower end of the market, studio flats in good locations have dropped from £82,000 to around £45,000.

The cheaper areas for housing are, predictably, in the north of the county away from the London fringe and in the new towns like Stevenage, where a three-bedroomed ex-corporation property can cost £55,000. Mr Sanders finds Hertfordshire prices particularly sensitive to commuting costs.

During the last increase in oil prices in the mid-1970s, the value of village properties was depressed by the increased cost of petrol and the running costs for oil fired central heating.

Healey and Baker, the London-based international real estate consultants, have noted the commercial property sector in the county and are involved in several schemes. Mr Justin Taylor, a partner, says: "Basically it's a boom county in terms of all sectors of the commercial market."

Hertfordshire has several major retail schemes including the Harlequin Centre at Watford, the Marlowes Centre in Hemel Hempstead, the Howard Centre in Welwyn Garden City and the Galleries at Hatfield - a development built over the new A10(M) tunnel and concentrating on value added goods in a development without a major anchor store.

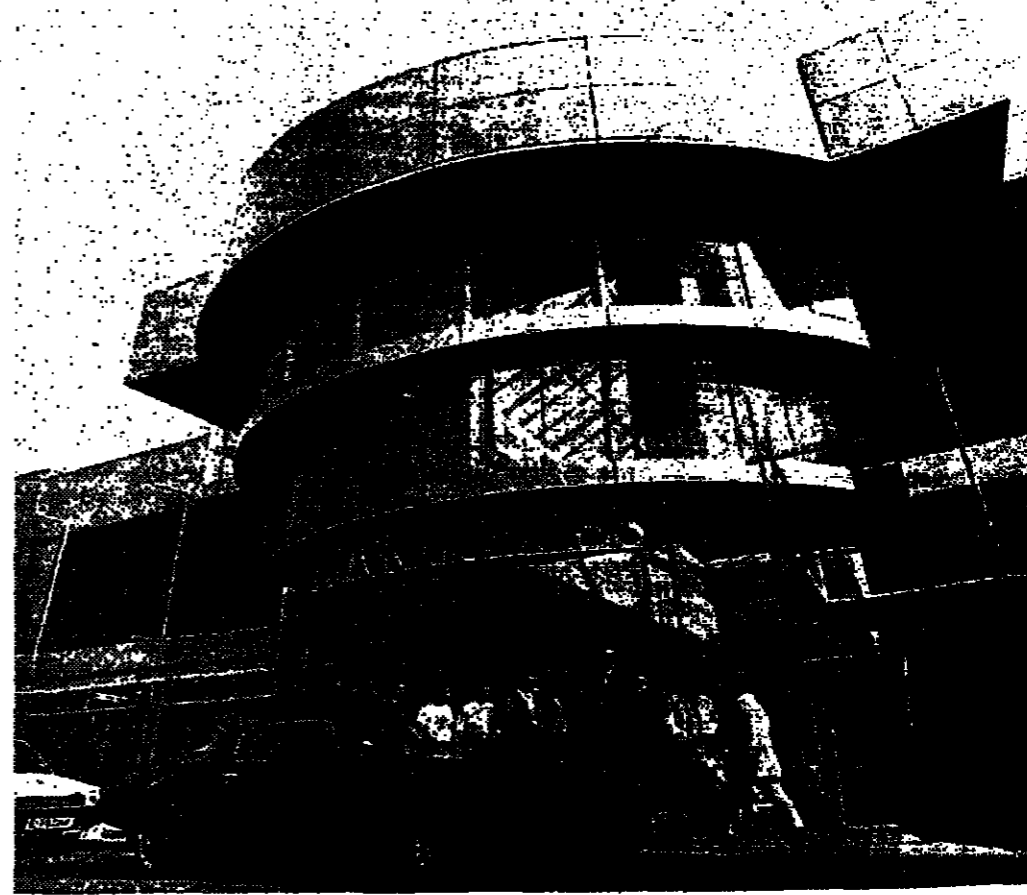
The boom has been fuelled by the economic growth since 1985 and in spite of the fact that growth in rents slowed down in 1990, and are likely to slow until late in 1991, Mr Taylor predicts solid growth in the next five year period.

"My view is that the schemes up and running have demand and will be let fully", he says, although he accepts that others in the pipeline may have to be mothballed.

"You are going to see a marked slow-down for two years in shopping centres", he predicts, but he sees potential in smaller scale developments in areas such as Stevenage.

The Harlequins at Watford is the largest in-town shopping centre currently under construction in the UK. The 750,000 sq ft development contains John Lewis, Marks & Spencer, British Home Stores, Boots and Littlewoods.

The zone A rates in Watford are around £150; in Hemel Hempstead around £100, while Healey and Baker claim a new rental high of £50 zone A in Chesham.



The Marlowes shopping centre, Hemel Hempstead: retail development has been 'remarkable'

Mr Terry Betts, head of planning at Hertfordshire County Council, says that the key factor in land and planning in the region is the green belt: 45 per cent of the county falls within its boundaries.

There is also an area of Outstanding Natural Beauty in the Chiltern Hills.

"Conservative central planners have taken a very black and white attitude" to green belt applications, says Mr Betts. And, in spite of the tightness of land, there is still room for development in the north and east of the county.

While office development has continued across the county it is the growth in retail development that Mr Betts believes to be "remarkable", adding that it is problematical what will happen when they are completed.

The completion of the M25 provided the opportunity for major out-of-town shopping developments and several projects so far failed.

On the other hand the office, B1 developments under construction and in the pipeline seem to be outstripping council forecasts for population and

economic growth. At present office rents in, say, Borehamwood, are running at about £20 per sq foot, in Rickmansworth at £27.

The county council's own handbook provides a fitting warning to developers who might see a short recession as an opportunity for later growth. "Only the application of a firm development policy, charting an intricate course between the conflicting needs of the community has prevented the county from being overrun in the rush to build", it notes.



Confederation Life's new headquarters in Stevenage: office development has continued

London's third airport prepares for take-off

Stansted: gateway to the future?

WHILE many commentators still doubt Stansted Airport's ability to get off the ground, there is a growing awareness that a gathering momentum is about to lift the enterprise into flight.

Two new cards, both played within the last month, have significantly bolstered Stansted's putative role as London's third airport.

The effect of that metamorphosis on Hertfordshire, which skirts the apron of the Essex airport, is sure to be fundamental.

Air UK, Britain's third-largest scheduled airline and Stansted's pioneer operator, has announced plans to expand its operations to coincide with the opening of the £400m new terminal and rail link.

The privately owned carrier, in which KLM Royal Dutch Airlines has a 14.9 per cent stake, hopes the expansion at Stansted will attract 400,000 additional passengers in 1991 on to its domestic and international routes operated by BAE

146 short-haul jets. At the moment, Air UK carries 200,000 passengers a year through Stansted, representing 10 per cent of its activity.

Mr Andrew Gray, managing director of Air UK, has said: "It is the principal objective of Air UK to position itself as the short-haul business carrier at Stansted serving business centres both in the UK and Europe."

While some estimates of passenger growth at Stansted are significantly lower than Air UK's, the carrier insists its predictions are based on forecasts extrapolated from current market share figures.

Mr Gray says: "We have been here for some time and we are bullish about the future of what is a very fine airport. The train link is of paramount importance, especially to the business travel market."

The second card was played by American Airlines. A spokesman has confirmed that the airline, which has 500 aircraft and operates 18 routes in seven European countries, is seeking a licence to operate between New York and Stansted.

At the moment, under the so-called Bermuda 2 agreement, two US and two UK airlines are designated by each country to fly between the three London airports and New York's La Guardia, Kennedy and Newark. Newark has been exempted to allow Continental Airlines to fly to Gatwick.

American's move opens up the possibility of an exception on this side of the Atlantic.

Meanwhile, the complex network of inter-related air carrier

agreements is in a state of flux. A new, more pressing, timetable for change has been precipitated by Pan American's sale for \$400m of its North Atlantic rights into Heathrow to United Airlines. While a review of traffic distribution at Gatwick, Heathrow, and Stansted continues, along with the setting up of working party on extra runway provision, the European Commission is reviewing its competition policy.

This tumult, brought into focus by United's attempt to get into Heathrow by the back door, will bring about a re-writing of the rules which could fundamentally affect the future of Stansted. The government may be tempted to offer some form of inducement to carriers to use the third airport. As Mr

There are worries about the effect on the region's traffic network

Gray says: "We are looking to Stansted to develop as an airport, therefore we would certainly like to see an inter-continental operation. The government have to consider the pros and cons but we would like to see them encourage growth at Stansted."

Mr Eric Lomas, managing director of Stansted Airport, agrees: "It would like the support of the government to enable Stansted to have a transatlantic service. American Airlines has made a vote of confidence in Stansted Airport." Mr Lomas believes such confidence brings the airport close to achieving the "critical mass" required for long-term success.

While the future can only be forecast, the reality of development at Stansted is impressive. Stansted, owned by the BAA (formerly British Airports Authority), was designated as London's third airport in the June 1985 White Paper. It has outline planning permission to grow to 15m passengers per annum, although the current target is 8m.

Some 25 per cent of passenger totals are scheduled with carriers like Air UK, Air France, and Ryanair. The largest growth area is inclusive tour holidays with 70 operators using the airport, with 300,000 passengers carried in the summer of 1990.

The airport's new £400m, 180 sq metre terminal, which opens next spring, is the most visible symbol of confidence in Stansted. It is on one level and, with a flash of sandy unusual in airport architecture, it is designed for ease of use. Incoming and outgoing passengers do not mix and a direct rail link will run from the building to London's Liverpool Street rail station. Three hun-



Stansted's £400m new terminal

dred acres are available within the airport boundary for all the ancillary activities related to a major international airport. Mr Lomas thinks that the airport's accessibility and design will make it a favourite with travellers.

On the issue of a further airport runway at Stansted, Mr Lomas believes that there is time for a considered decision. The need for a new runway in the region lies in the next century and the decision should therefore be made by the mid-decade. "We have got the time for a considered and detailed study of the issues."

Stansted's image problem is also being attacked with vigour and, notably, a series of TV advertisements. "Six months or a year ago I would have agreed with you about the problem but not now", says Mr Lomas.

"Between now and 1996-97 we plan to grow to 8m passengers. I am encouraged that I have achieved my first year's operation." The first long-term target is 25m passengers on the one runway. A second terminal is envisaged in the context of the "phenomenal growth" in south-east traffic levels from 70m to 120m.

The recession has taken the kerosene out of the tour trade. Remarkably on the downturn, Mr Lomas says: "I have been pleased that this has been less than the average." While the leisure market will be a key sector for Stansted for some time, Mr Lomas notes that Gatwick took 20 years to reach a fifty-fifty split with the scheduled market. "I want to do it in less."

On development, Mr Lomas points out that the airport site is 1.5 times as large as Heathrow. He is confident that an ancillary building can be contained, such as the current heavy jet facility, industrial site, and the second major in-flight catering operation which has introduced competition into the airport.

The continued growth of Stansted has been watched with trepidation by both Hertfordshire and Essex County Councils. They are seeking to channel housing to well-defined locations and economic development for the most part to largely well-established employment areas.

For Hertfordshire, the key stress areas are the infrastructure of towns such as Bishop's Cleeve, which already faces considerable traffic congestion. While the huge economic benefits to the local economy of a development of Stansted's potential are recognised, there are also worries about the ability of the region's traffic net-

work to deal with further expansion and cater for commuter needs. The completion of the M25, the new bridge over the Thames at Dartford and the Channel Tunnel will create a potent network of developments.

Although Stansted promises to contain direct and related development, Mr Norman Mead, general secretary of the Northwest Essex and East Herts Preservation Association, says that there are fears that "airport induced" growth will spill over into the countryside. He insists that there is still a wide and vociferous lobby against growth beyond 8m passengers at Stansted.

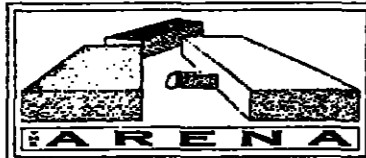
Despite the reservations, there is now a considerable development in momentum behind Stansted: it is moving rapidly towards making a reality of the title of London's third airport.

Jim Kelly

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When fiction could not match the passion on the Westminster stage: characters from 'Capital City', 'House of Cards' - and Mrs Thatcher

TELEVISION

The barbican unbowed by the Thatcher years

In the whole history of television publicity there cannot, surely, have been a more elaborate stunt than this: BBC1 produces a splendidly contumacious political drama called *House of Cards*, set in the immediate aftermath of Margaret Thatcher's premiership, and in the very week it comes on air, sure enough, Mrs Thatcher is forced to resign. How on earth did the BBC persuade the Tories to co-operate? The only trouble is that the tacking and back-stabbing among the real politicians is much too melodramatic though Andrew Davies' adaptation of Michael Dibbs' story is masterly, it cannot begin to match the passion and guile of the play on the Westminster boards.

Observers overseas sometimes see the truth of a nation's situation more clearly than the citizens at home. Last week the *Wall Street Journal* declared that under Margaret Thatcher Britain's political and literary cultures have been transformed by conservative ideas. Clearly the political culture has been radically altered, probably permanently - but our literary culture? In Britain it is difficult to think of many signs of such a transformation in the modern novel, poetry or drama. Even more striking, however, has been the failure of Thatcherism to transform television.

To some extent broadcasting organisations have been changed: their economics today are different from 1980, union practices have been revolutionised, and we have satellite broadcasting (for what it's worth). But the heartlands of programme-making continue to be dominated by the ideas of the 1960s. While Thatcherism has talked about the work ethic, duties, and responsibilities, television's current affairs and drama

departments have continued to make programmes about "rights", feminism, and welfare state. Thatcher's followers have been concerned with wealth creators and the trickle-down process, believing that the best way to help the nation's poorest is by moving the entire society up the scale, so that although the differentials remain (or even increase) the poorest are still better off. That, anyway, has been the theory upon which Thatcherism has proceeded and, in the battle of ideas, has triumphed. Except in broadcasting.

No matter how many socialist states have crumbled Thatcherism has still turned on their television sets to find dramas, on both BBC and ITV, tugging at the heart-strings with awful stories of the privations of one-parent families, or current affairs programmes about the need to spend more public money on schools, hospitals, or prisons. Whatever the rights and wrongs of the idea, it is no surprise that the Thatcherites have become more and more hysterically angry at seeing television - unlike most newspapers, unlike politicians, unlike many Britons - so blithely unaffected by the new dominant ideology. The truth is that the programme makers' "has never" been effectively attacked, let alone over-run by the Thatcherites. That may continue to be true even after the 1990 Broadcasting Act, begins to have an effect. Do what you will to the structure and economics of television, you may still fail to alter or replace the people who enjoy making programmes.

Anyone who doubts this might try naming a single programme which could be described as "Thatcherite". *Capital City* seems (or, in its

first series, seemed) to celebrate yuppiehood, but even that series never conveyed a proper understanding of Thatcherite ideology, it merely attributed greed vaguely to some of its characters. As for the current series, that is not Thatcherite at all. In the past 11 years just one series has sought to describe the ideas advanced by Hayek, Keith Joseph, the IEA and so on, which led to Britain's Thatcherite revolution. The *New Enlightenment*, produced by David Graham and Peter Clarke for Channel 4 in the autumn of 1988.

Of course there have been Thatcherite attacks on the programme makers. With the Broadcasting Standards Council due to begin public operations on January 1, 1991 this may be the moment to recall the opening sentence of the section "Supporting Family Life" in the Conservative Party manifesto of 1988: "It is not for the Government to try to dictate how men and women should organise their lives". What, then, is the purpose of the BBC?

Television's greatest advantage as a news medium is also its greatest bugbear: instantaneousness. Newspapers have been bad enough in the coverage of the conservative leadership melange, but the world's broadsheet newspapers producing more words in one day than any normal reader could ingest in a fortnight. But at least papers have 24 hours to reflect and select, and anyway readers can always turn to the sports pages the minute they want to.

Television suffers from being able to show us what is happening at the moment. There is no time to reflect or select, so once a big story is running the editor becomes

neurotic and sticks with it, just in case something else interesting happens... just in case the opposition beats him to it. One night last week on BBC1's *Nine O'Clock News* Michael Buerk told us that the Heseltines had gone out to dinner. (Gosh!) Then we saw a filmed report showing them earlier in the evening going out to dinner. Then Buerk introduced a reporter stationed at that moment on the doorstep of the Heseltines' empty house to confirm that, yes, indeed, they had gone out to dinner.

History will probably prove that there have, so far, been no more than three memorable TV moments in this entire affair: Geoffrey Howe's Brutus speech in the House; Margaret Thatcher's sprint down the steps in Paris (helped by Bernard Ingham's strong-arming) to announce, without consultation, her intention to fight on; and that electrifying afternoon in the Commons when, with humour, repartee, and absolute mastery of the chamber, Mrs Thatcher faced the hide-off the Labour opposition at the lowest moment of her career.

It looks as though we may acquire a new Prime Minister just in time to start a shooting war in the Gulf. If, heaven forbid, it comes to that, the armed forces and the government will not have a hope of a muzzling and bamboozling the world's broadcasters and newspapermen as they did in the Falklands. On that occasion the reporters need for naval transport to reach the theatre of war and for military communications technology to send material home, gave the forces the whip hand.

In the Middle East the situation will be much more reminiscent of Vietnam. One of the best war photographers to emerge from Vietnam was Tim Page who, as a teenager, took

his motorcycle across the English Channel and rode overland to the front line where he set about learning to use a Nikon. In the Gulf it will be similarly difficult for the military to prevent reporters from swarming everywhere. Some may, of course, get themselves killed, but there will also be pictures of the inevitable horrors of war which news teams will be satelining back virtually, perhaps actually, in real time. If the Falklands created appalling problems over the attempted control and censorship of newsmen, the Gulf will be worse. It is probably no exaggeration to suggest that this is one of the main considerations holding back the allies: the reluctance within liberal democracies to have families sit in front of the evening news and watch their sons die in the desert.

How many people, I wonder, saw the opening titles to BBC1's Sunday lunchtime series about politics, *On The Record*, for the first time this week when the three candidates for the Conservative leadership were interviewed. They will not have been able to miss the silliness of the images: a Lego-like crocodile made out of the Big Ben tower lying on its side, just like one of those "transformer" toys, crawling across a cut-out map of Britain.

Such infantile stuff is the new fashion, it seems, in BBC current affairs. *Assignment*, the new series of foreign reports, begins each week with a picture of a cabin trunk which opens to release a skeleton on a bicycle, a clockwork helicopter, a toy robot on a prop stick, a neon cowboy on a neon horse, and an Indonesian shadow puppet. What next - *Panorama* introduced by Postman Pat?

Christopher Dunkley

Two Salomes

WASHINGTON AND NEW YORK

The Washington Opera season opened with an uncommonly distinguished performance of *Salome*. The production, Peter Hall's, has already been seen and admired at Covent Garden, so all I need do is add my mite of fervent admiration for its accuracy and intelligence of vision, its beauty (decor by John Bury), and the dramatic force that stills all questioning and holds one spellbound.

In Washington it was staged by Jeannette Aster, who has worked closely with Hall, and it retained the three principals - Maria Ewing as Salome, Michael Devlin as John, and Ragnar Ulfung as Herod - who "created" the production in Los Angeles four years ago. Miss Ewing is riveting: wonderful to look at, even more alluringly dressed and coiffed (to judge by photographs) than in the earlier shows, seductive and irresistible, and exciting in every move and gesture - wilful and yet innocent, with the candour of Strauss's "sixteen-year-old chaste virgin and oriental princess." At the close of the Dance she did not fudge the usual moment of nakedness but stood boldly, frontally nude, in bright light, triumphant. Her voice has grown. It rang out in the 2000-seat Kennedy Center house in a hundred subtle colours. It is not a conventional, even instrument, but something even more exciting: vocal and verbal communion holds the audience intent on every turn of the drama.

Devlin is a Baptist worthy of his Salome, singing and committing with kind of crazed, romantically beautiful fervour, and sexually exciting as few Baptists are - a gaunt, muscled figure clad only in what the editor *Opera* called a Jokanaan-strap. Ulfung, at the age of nearly 64, remains clean-cut and intense. Helga Dernesch's Herodias was shamelessly eye-catching and ear-catching as by large gestures and interpolated cackles and cries she drew attention away from whoever was singing.

I liked this production - set in the squalid ballroom of a glittering New York palace - when it was new, but it has not worn well. Its eccentricities - and departures from Strauss's clear instructions - make their point only when the ensemble execution is sharply focused. This time round, the stage around the principals seemed to filled with aspirant bit-part singers moving by the back eyes on the conductor, eager to demonstrate the size of their voices. James Conlon conducted. (I went on a night when his mind was probably filled with his forthcoming *Semiramide*, by then in busy rehearsal.) The orchestral sound was of superior quality, but there was little excitement. *Salome* sounded strangely bland.

Andrew Porter



Maria Ewing: rivetting

Rossini & Mendelssohn

ROYAL FESTIVAL HALL

Opera in Concert, an enterprise that set itself up in business last year with a concert performance of Verdi's *Macbeth*, presented the London Philharmonic Orchestra in Monday's non-operatic concert. It was for the most part wretchedly executed: under Jan Latham-Koenig (whose rehearsal period must surely have been cut to the absolute minimum) the reading of nine numbers from Mendelssohn's *Middlemarch* Night Dream music would have brought shame on a first-year college orchestra. Brass was raucous, woodwind intonation unreliable, strings were all

over the place, and any hope of gossamer textures was soon laid to rest.

The same sort of damage was done, if perhaps less comprehensively, to the hardly less carefully achieved orchestral writing of Rossini's *Stabat mater*. Without the presence (well-schooled, occasionally curdled in soprano tone) of the Pro Musica Chorus and four interestingly chosen soloists, one would have felt the hall in despair. As it was, however, Margaret Price and Della Jones, who had provided the few brief moments of pleasure in Mendelssohn, were both in thrillingly full, radiant

Kes

EVERYMAN STUDIO THEATRE, CHELTENHAM

One of the values of Youth Theatres is to give experience to young people, and the Everyman Youth Theatre has done well to produce a piece where 25 actors play 37 characters in its little studio theatre, holding 60 spectators. The evident aim, to show all the details of young Billy Casper's miserable life, accounts for the abundant cast, and we spend much of the evening at classes in Billy's school.

The story we all liked so much in Barry Hines's book and the subsequent film depends on atmosphere rather than plot. Billy, a 16-year-old from a broken family, takes a young kestrel from the nest play by play, borrowing a book on hawking at the local

library. He has become very happy with his Kes, if not with much else, when, typically, he uses the kestrel to help him. Jud gives him for a couple of bets to buy chips. The bets, unexpectedly come up and should have yielded 213. ("I could have taken a couple of days off work.") Jud's reaction, apt by local standards, is to ruin Billy's kestrel.

And that is it. It is deeply sad, because Hines has depicted the wretchedness of Billy's life so well. I cannot say the same of Fox Allan's adaptation, which spends too much energy on extraneous details, and retains more bad language than seems to me right in a play for young people. As a most seen, by young people. As no other name is given, I assume he also did the script, which sensibly is no more than a stage with a plain table and a gallery where the (stuffed) kestrel lives. Why there should then be a television set at each end of the gallery, showing unrelated pictures, is a mystery, unless it's just another clue to Yorkshire life in 1968. Allan's direction certainly fulfils the proper function of giving the young company plenty to do, and drilling them to do it as he intends. There is only one real acting part, Billy's, and it is effectively played by 14-year-old Murray Andrews, who incidentally uses his hands cleverly, whether he knows it or not.

B.A. Young

Arditti Quartet

ST JOHN'S, SMITH SQUARE/RADIO 3

Afficionados of contemporary music know very well that the Arditti players have become master-exponents of Elliott Carter's string quartets: but it's only those same aficionados who hold Carter's "difficult" music in such high esteem that mastery interpretation of it should seem important.

In Monday's BBC lunchtime recital, however, the sustained, generous audience-response to the Arditti performance of his First Quartet sounded - even on the radio - like a breakthrough like an audience who had just been persuaded that a very long, intricate and "difficult" work wielded both a tough dramatic grip and a potent expressive range.

Those of us who were thunderstruck by this Quartet, back in the late 1950s, could feel justified. Few of us knew then that its most extraordinary feature, its so-called "meditative modulation", which opened up dizzying new possibilities of rhythmic counterpoint among independent voices, had been tried out in a couple of other Carter pieces already; the Quartet seemed to arrive like a revelation from no known place. And for a long time, when the

occasional intrepid quartet essayed its accurate fulfillment of the score's fearsome demands seemed virtue enough - nothing less than that could make its radical originality audible, and anything much more seemed unnecessary and probably unfeasible.

Over years of studied exposition, however, the Arditti's technical prowess has allowed them not only to master the fantastic (though strictly musical) complexity of Carter's part-writing, but to honour his knotty, rangy lyricism, too. In performance like this it becomes

omnipresent - from the grand cello-cadenza at the start to the answering one for violin at the close, through the stark firmament polyphony, the *scorpione* witchery and the visionary Adegio (Ives, Berlioz) to the final, steel-sprung Variations.

The Arditti delivered it all like the sovereign musicians they are, rising above small technical skills to bear confident witness to a treasure: the first great quartet after Bartok. It was a joy to hear.

David Murray

ARTS GUIDE

THEATRE AND OPERA

London

Aspects of Love (Princes of Wales). Andrew Lloyd Webber's latest is an intimate chamber opera derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn. (855 3872).

Alfred Ferson Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Beston on line form. (071 387 1139).

Man of the Moment (Globe). Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipulation. (457 2667).

Into The Woods (Phoenix). Julia McKenzie shines as the witch in Stephen Sondheim's compendium of fairy tales. The title song is more memorable than a story-line that descends into recrimination and chaos as the characters' dreams turn sour. (587 1004).

Cats (New London). The formula of T.S. Eliot words, Lloyd Webber music and faline dance has made this Britain's longest running musical. (406 0073).

Royal Opera, Covent Garden. New production by Adolf Dresen of *Fidelio* conducted by Christoph von Dohnanyi has Gabriela Benackova, Jan Binkhof, Monte Pederson and Robert Lloyd in leading roles. Further performances of the *Barbier de Séville* revival, conducted by Gabriele Ferro, with the second of two casts: Edita Grubisova, Justin Lavender, Vladimir

Chernov, Eric Garrett and Alexander Morozov. English National Opera, Coliseum. Così fan tutte, in John Cox's stylish new cast, led by Rita Cullis and Glenn Winklade, and Peter Robinson as conductor. Further performances of the new double bill: Delfin's *Fanciulla del Telegioco* - conducted by Charles Mackerras, produced by Julia Hollander.

Madrid

Les Liaisons Dangereuses (Teatro Albeniz). The Royal Shakespeare Company will be performing Christopher Hampton's play based on the Laclos' novel of seduction, intrigue and revenge set in pre-revolutionary France, directed by David Leveaux, and starring Pip Miller and Emma Piper. Ends November 16 (522 02 00).

Paris. Bastille Opera. The season opens with Verdi's *Otello* conducted by Myung-Whun Chung with Plácido Domingo in the title role for the first time. Also on the bill: *Il Trovatore* with Renata Bruson as Iago and Kallen Esparlan as Desdemona (40013616).

Opéra de Massenet's *L'histoire de Manon* to Massenet's music rearranged by Leighton Lucas in Kenneth Macmillan's choreography with Nicholas Georgiadis' decors and costumes, conducted by Barry Wordsworth. Théâtre des Champs Elysées (47425750).

New York

Faustland (Lucille Lortel). It will be known as the first musical about AIDS hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 9782).

Grand Hotel (Martin Beck). The Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling. (259 6262).

Les Misérables (Broadway). Victor Hugo's sweep of history and pathos brings lessons in pageantry to drama to Broadway (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Björkman's glided sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this transfer from London (239 6200).

30th anniversary production is a reminder of the heyday of the American musical with memorable tunes after memorable tunes, as well as a powerful plot about the ambitious stage mother who encourages her daughter into burlesque.

Chicago

Other People's Money (Royal George). Corporate takeover artist Larry "the Liquidator" Gardole is played for all his hilarious achievements by Peter Van Wagner in Jerry Stern's funny and telling view of contemporary finance, directed here by the star of the off-Broadway production, Kevin Conway (988 9000).

Phantom of the Opera (Auditorium). The midwestern production stars Karen Culliver surrounded by the familiar chandelier and other heavy duty props in a full blown staging (803 1919).

Lyric Opera. Leo Nucci has the title role of *Rigoletto* in Sandoz production conducted by John Fiore. Donato Benazzi conducts Andrei Serban's new production of *Lucia di Lammermoor* with June Anderson as Lucia and Alfredo Kraus as Sir Edgar. Civic Opera House (332 2344).

Tokyo

Kabuki: Performances at Kabuki-za centre around a name-talking ceremony for the actor Senjaku, who follows in his father's footsteps to become Ganjiro III. Both performances (11am).

November 23-29

Saleroom

Save Badminton appeal grows

The chase is on to save the Badminton cabinet for the UK. The highly ornate cabinet, made in the Grand Duilio workshops in Florence in the 1720s for the 3rd Duke of Beaufort, was sold by his successor at Christie's in July for \$3.8m to the Polish American, Mrs Basia Seward Johnson. An export licence has been withheld to give a British gallery or museum the chance to raise a matching sum and the Fitzwilliam at Cambridge is spearheading an appeal which has already raised £2.5m.

Yesterday the National Arts Collection Fund announced that it was giving £250,000, equal to its largest ever donation. This joins the £1.5m pledged by the National Heritage Fund and other contributors.

The Supreme Order of the Chrysanthemum, the highest honour of the Japanese Empire, and bestowed on Prince Arthur, Duke of Connaught, sold for £71,500 at Christie's yesterday. It was awarded in return for giving the Order of the Garter to two Japanese Emperors, in 1908 and 1912. Just as it is rare for foreigners to receive the Garter, especially as in this case, from the hands of the Emperor, was regarded as a mark of signal respect.

In the same sale a Victoria Cross gained posthumously in

1917 by Captain Arthur Henderson of the Argyll & Sutherland Highlanders, sold within forecast for £15,400.

Phillips had mixed fortunes yesterday, with results which confirmed that furniture is currently a much stronger market than pictures. An Italian 18th century walnut and tulwood commode, which had a top estimate of £20,000, was fiercely contested for by five continental dealers all in the room and finally went to E. & A. Micheli for £27,800. A pair of Louis XVI console tables also far exceeded estimate at £63,600.

In contrast an early landscape of around 1798 by the German artist Caspar David Friedrich failed to sell at £20,000 although the price was within the catalogue estimate. "The Coach" by Adolphe Gustave Binet was within target at £37,400.

Sotherby's held a routine sale of Chinese works of art which totalled £297,759 but with 27 per cent unsold, a good indicator of trade uncertainty. The dealer Michael Hogg paid £30,800, above estimate, for a pair of blue and white vases and covers, of the Kangxi period (around 1700) and a pair of famille rose figures of boys, both 14½ inches high. Qianlong, (mid 18th century) sold within forecast for £14,500.

Antony Thorncroft

EAST MIDLANDS

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The task for the new PM

PERHAPS THE most jarring moment of the Tories' six-day war came when Mr Michael Heseltine marvelled that it had taken him only a week to topple Labour from its lead in the opinion polls. But the prime minister-elect should spend only a little time enjoying the honeymoon and none at all contemplating an early general election. Mrs Thatcher has bequeathed her successor more than a problem of tone and party disunity. Her administration had run out of steam. It will take more than a reasonable manner to restore its momentum.

Mr Major's first task is to choose his cabinet. He will be right to choose a team capable of unifying the party and waging the campaign. The case for keeping Mr Hurd at the foreign office, given the Gulf crisis, is overwhelming. But for the Treasury, Mr Major has a number of options. Mr Chris Patten and Mr Kenneth Clarke are perhaps the two most able figures in the outgoing cabinet. The fact that both men supported Mr Hurd is irrelevant. Either would be a credible chancellor, as would the chief secretary, Mr Norman Lamont.

It also seems likely that Mr Heseltine will be offered a job. The party chairmanship suggests itself, but that may not be enough for the man who has had to settle for being kingmaker. Another possibility would be the Home Office, where another of Mr Major's backers, Mr David Waddington, would not be sorely missed.

Immediate priorities

Once he has got his cabinet, Mr Major must take a hard look at policy. The immediate priorities are obvious: poll tax, Europe and the economy.

On poll tax, there must be a commitment to a more progressive impost, although Mr Major was right during his campaign to avoid specific proposals. The last thing the Conservative party needs is an ill-judged reform of an ill-judged tax.

Britain's European partners are likely to allow the author of the hard Ecu plan to keep it as part of an agreed progress towards monetary union. But

he will have to accept the ultimate goal of a single currency as well. At the same time, Mr Major will need to place his personal stamp on the political union debate and provide a landmark as tall as Mrs Thatcher's Bruges speech. To convince his domestic and European audiences that Britain is at last on board the European express.

Significant challenge

Europe will also present the new prime minister with what will probably be his first significant challenge. The Uruguay Round of international trade negotiations is to close next week. At the moment, it is likely to fail. So, the EC's negotiators will rightly feel that Mr Major will have to fight as hard as his predecessor, but more effectively, to change that position.

Mr Major will not need any briefing about the economy. Here the options are narrow and the risks of electoral embarrassment considerable. The new chancellor will have his nerve tested on interest rates in what increasingly feels like a rather nasty recession and he will also find obstinately high German interest rates cramping his room for political manoeuvre.

This may seem like a big enough agenda for the new prime minister. But he cannot simply hope that competent leadership in these areas will keep him in Downing Street, since there is no chance that the economy will deal the Conservatives an electoral ace.

The missing dimension in the Major manifesto has been any sense of where he wants to take the party. It is all very well to say that he wants the welfare state to be better run, but how? What does he have in mind about infrastructure and about local government? Will he uncork the potential of Thatcherite liberalism in the field of devolved government, a more effective role for parliament and reform of the Upper House? Is he, perhaps, the man to lead the party to a more radical representation in European elections? It is time for Mr Major to start working on the party's general election manifesto. There is much to do.

Resolution on Iraq

IT IS now nearly four months since Iraq invaded Kuwait. The immediate reaction of the outside world was on the whole united. Through the United Nations, it was to condemn the invasion, to call for an Iraqi withdrawal, to impose economic sanctions to help bring that about and to allow enough military forces to be in place to be used if economic measures proved inadequate.

Some of the initial objectives have been achieved. Just after August 2, when the Iraqi invasion took place, it seemed possible that Saddam Hussein might extend his aggression to at least parts of Saudi Arabia. The prompt response, especially by the United States with the backing of the Saudi government, removed that option. It is also probable, though hard to demonstrate in detail, that economic sanctions have had some effect. Iraq has not been able to export its oil; it has been unable to borrow on the international markets. Yet the fact remains that nearly four months on Iraq is still occupying Kuwait.

That is why moves are now in train to introduce another resolution of the United Nations Security Council that would be both tougher and more specific than anything that has gone before. The resolution, expected to be proposed tomorrow, will not only seek endorsement for the possible use of force; it will set a deadline for Iraqi withdrawal.

General principle

There has been some discussion whether the deadline should be January 1 or January 15. The precise date, however, is less important than the general principle, and there need be no automaticity in war starting the day after Iraq failed to comply. The points at issue are whether setting a deadline might encourage Iraq to draw back and whether the outside world is in a position to take effective action if Iraq does not.

In seeking to answer those questions, it is worth recalling what the dispute is about. Iraq committed a blatant act of aggression. It was the first such major act in the post-cold war age. The ending of the cold war meant that the five permanent members of the Security

Council (Britain, France, China, the US and the Soviet Union) were in the unusual position of agreeing that aggression should be challenged. The possible use of force was always implicit in the original resolutions on economic sanctions; actual use of force is provided for in Article 42 of the UN Charter.

It is also worth asking how the UN would look if it huffs and puffs, passes resolutions yet in the end allows the aggressor to get away with his gains. The answer lies in the proverbial Chinese phrase: it will not only look like a paper tiger; it will be a paper tiger. The invitation to future potential aggressors will be open.

Subsidiary question

There is a subsidiary question about the United States and its main allies. Some Americans have complained that they have not received as much support as they might have done from Japan and Germany and even from Europe in general. That is a subject that may have to be dealt with later, yet it can hardly be said that European support is negligible. The Japanese have helped financially. For America and its allies to back down now, when they have the resolutions of the UN behind them, would be to undermine any new world order before it has been established. It would also place very serious question marks over the role of the US in the world at large.

Only the military commanders can satisfactorily answer the question whether the allied forces have the capability to drive Iraq out of Kuwait if diplomacy and economic sanctions have been shown to have failed. But given the amount of hardware and manpower now that has been maintained between such a large number of diverse states, we must be reaching the stage where some military action is feasible. It is desirable to obtain wide international sanction for the use of force, not least to make the threat to Saddam Hussein more credible. It would also ensure that any use of force would reflect a global consensus rather than a unilateral US decision.

It has all been remarkably efficient. Within a fortnight, the most commanding peacetime prime minister of this century has been replaced, after two ballots of her peers, by a promising nonentity. The Conservatives jettisoned Mrs Margaret Thatcher because her unpopularity threatened to drag them down.

They have adopted Mr John Major partly because she supported him, partly because he has done a number of ministerial jobs without putting a foot wrong, but mostly, I suspect, because he is universally liked, a nice guy who has enjoyed rapid promotion and threatens to do no one any harm. He may even turn out to be another living wonder, although this is not widely anticipated.

Translating what has happened into plain American, we have dumped Reagan, and picked up, some say, a puppet, Dan Quayle - but in my view we have probably got a young George Bush. For the signs are that Mr Major is no more a captive of the Tory right than President Bush is of the wider Reaganites. My analogy cannot be stretched too far, since Mr Bush is of the upper-crust, while Mr Major, as everyone in Britain should know by now, is of humble origins. Perhaps I should have said that the great leader Franklin D. Roosevelt has suddenly gone, so who is this Harry Truman, and how will he turn out?

Not even his best friends claim that they can at this early stage discern in the new prime minister the sort that President Truman displayed. The president who surprised the world nearly half a century ago came to power in the closing year of a particularly horrendous war, and was tested early on by being confronted with the use of the atom bomb. Yet Mr Major may be tested pretty sharply too, if there is a Christmas war in the Gulf.

It would be a help, if that happens, to have Mr Douglas Hurd as his foreign secretary, but at the end of the day it is the new prime minister himself who will have to be on the line to Washington, and it is he who will bear the responsibility for shouldering the burden of the British casualty count.

His personal response to such a foreign crisis will be observed when the time comes; no more can be said about it now. We can, however, look at the peacetime tasks that lie before him.

The first is the establishment of a new government. He will do this as he does everything else, using his proven sensitive political antennae to ascer-

The new cabinet will be the initial indication of how much Mr Major is in charge of his own agenda, and how much, or little, he will be paid to the voice of his predecessor

tain what ministerial team will most establish party unity and, more pointedly, which set of ministers will produce the best chance of winning the next general election. This cabinet-making will be the initial indication of how much Mr Major is in charge of his own agenda, and how much, or little, he will be paid to the voice of his predecessor if she plays the role of back-seat driver. Those who know him well suggest that he will be anxious to demonstrate that it is he, and he alone, who is behind the wheel.

I make no predictions as to individual, except to retail the guess, available wholesale in Westminster this week, that the job of party chairman, plus seat in the cabinet, may be

The new prime minister has had a rapid rise through Conservative ranks, but will he be his own man, asks Joe Rogaly

Will the real Mr Major stand up

Offered to Mr Michael Heseltine. Thus placed, the latter would be detached from any department of government, while his energy, and his vote-catching prowess, would be put to good use.

Whether Mr Heseltine, who does not need the salary, would take the job is another question. Perhaps the instant transfer of allegiance to the clear victor last night will put him in a good position to ask for a role closer to the centre of the administration.

The next task will be to unify this new cabinet, and through it the whole party, around agreed policies on the economy, Europe and the poll tax - not in that order, since they are all first on the list. It would surprise everybody if Mr Major produced fresh or original approaches to these tasks. That is not his style.

What he is likely to do, if he is true to character, is move with caution. He will listen to members of parliament, and he will sit patiently through expositions of official briefs. His powers of absorption and assessment in such circumstances are attested to by many. He is good at mastering the details of a case, say those who have worked with him at the Treasury, and he is not necessarily mastered by it.

Here, however, there is a question mark. I have used presidential analogies to explain Mr Major. The point is worthy of one further development. British prime ministers became more presidential as a succession of incumbents developed their own policy units inside Downing Street. This acted as a counterweight to the civil service.

In Mrs Thatcher's case her policy unit was attached by threads of steel to right-wing think tanks, such as the Centre for Policy Studies (founded by Mrs Thatcher), the Adam Smith Institute, and the Institute of Economic Affairs; they in turn were linked by underwater cable to their Resolute counterparts in New York and Washington. The evolution of her political thinking into a cult, complete with fanatics, was sustained by this mechanism.

The new prime minister has given no indication that he will maintain it intact. His private reflections on his career to date amount to a fiercely proud assertion of his distinct individuality. He may well seek to placate the high priests who attended his predecessor's devotions, but it would be no surprise if in due course they were gradually removed, or replaced, in such circumstances, and short of the build-up of a fresh set of policy advisers and outside thinkers, the good old British civil service, the one that has made us the great and thriving fount of economic vitality that we are today, would over time resume its former predominant role in policy-making.

This is of no small political significance. Since 1979 Britain has been governed by a prime minister who, whatever her faults, has been infused with a vision. She has been a driven woman, always urging ministers forward, terrifying them, trying them out one by one, disposing of them, nagging them, politicising their senior officials, popping in on this or that



John Major: he may turn out, like his political mistress Mrs Thatcher, to be another living wonder, or he may turn out to be a British George Bush

issue, scrawling her comments on everything, vetoing this, insisting on that, overshadowing all.

The new prime minister entered parliament when the old one entered Downing Street. In all his appearances to date, Mr Major has been the antithesis of his political mistress. Where she has courted conflict, he has sought a deal; where she has disdained the hatred of her opponents, he seeks to be liked by everyone. The new prime minister is a hard worker, a friendly chap, a strong debater, intelligent if not excessively burdened by a wide range of knowledge, a solid conservative with his heart in the right place on issues such as racial discrimination and care for the worst off. He is all of those things, but he is not her.

This is not to say that the policies put in place over the past 11½ years will be abandoned. Some of the weaker notions of the Thatcher cult, particularly those developed during the infamous year-and-a-half of hubris, July 1987-December 1988, will be quietly filed away, but the essence of the strategy - privatisation, fiscal discipline, and a progressive extension of the prerogatives of the consumer - will be maintained.

Thus education vouchers and the extension of tax relief to more buyers of private medical insurance are ruled out; the experimental scheme that turns public housing rents into mortgage payments, and thus tenants into owners, could be turned into a useful item in the next election manifesto if the cautious Mr Major is satisfied

with the figures.

It is plain that the election will be fought on bread-and-butter issues. When I interviewed him on Monday the new prime minister - then still chancellor of the exchequer - indicated that the central issues that always determine elections in this country are the economy, interest rates, mortgage rates, the retail price index, pensions, social services, and social security. This also constitutes a list of his previous job responsibilities in government. He should be good at them, or at the least good at ensuring that his ministers are.

Ah-ha, you say - but what about Europe? With negotiator Major in charge the Conservatives stand a chance of getting through even that more or less unexciting. There may be tense moments in the intergovernmental conferences (IGCs) on European political, economic and monetary union due to start in Rome on December 14, but a bridge of fudge between the Franco-German and the British positions should not be impossible to design.

It would be quite amazing if, after all the infighting among Conservatives about the EC over the past few months, Mr Major would risk another outbreak by causing blame from the IGCs in high dudgeon, isolated and furious. That is not his way. Only Mrs Thatcher could upset the apple-cart in a Bruges speech from retirement.

All of this leaves the Labour opposition in something of a quandary. If no longer has Mrs Thatcher to frighten the voters, Labour's only chance of winning the next election is to elect a prime minister who left school at 15 to help support his family, an evocation of the American presidential dream. His record shows not only some genuine adjustments of policy in favour of the worse off, but also a wily understanding of how to present harder strategies in a favourable light.

"What materialism means for many people," he said at the party conference a few weeks ago, "is that they are better fed, better clothed, better housed than ever before. They own homes, cars, washing machines and televisions, on a scale earlier generations never dreamed of..."

Labour's obvious reply is that little attention has been paid to market failures. The opposition had better wash out on education - Mr Major clearly plans to attempt to outflank them there - but on the environment, health, city centres, transport infrastructure, and similar areas Labour can plausibly argue in favour of public provision on the ground that the private sector acting alone is inadequate to the task.

It should do well on that ground alone. Then the case for voting Labour next time would be that it is newly-established as one of two large non-ideological parties in a dispassionate contest to be better managers of the social market economy, the Tories presumably by then being free of ideology. It might therefore reasonably expect a chance to consolidate the new bloodless quality of British politics. I doubt it.

What is in question is whether the leader of the Labour party, Mr Neil Kinnock, will prove adequate to the task of selling his own simple message of better communal provision and not too much incremental taxation. I have great admiration for Mr Kinnock's demonstrated skill in reshaping his party, but his well-known verbosity is a handicap, both for himself and for Labour. We are not talking about political giants here.

No contemporary British party leader is taking following Mrs Thatcher we are back in pygmy-land. But the Tories may have convinced everyone that there has by some miracle been a change of government and show, as they began to do last night, that they are solidly behind their new, unarguably competent, leader. How Labour supporters must envy them.

Distant Heath

One figure oddly absent during the latest phase of the Conservative Party's leadership contest has been that of former prime minister Edward Heath, the man from whom Mrs Thatcher seized the Tory crown in 1975.

Given the degree of enmity between the two, one might have supposed that Mr Heath would derive a certain satisfaction from being present at every stage of her ignominious departure from office.

But no: he has chosen to disown the turmoil. Yesterday he was not roving the corridors of Westminster gleefully campaigning for Mrs Thatcher's replacement, but arriving in Peking for the start of a five-day visit.

Heath has had a close relationship with China's leaders since the days of Chairman Mao, and his visit to the capital was arranged some time ago.

None the less, it could surely have been postponed, allowing Heath to remain in London to play the role of elder statesman.

Given the strong emotions that Heath's absence has aroused over the years within the party, he may have calculated that any intervention by him on the part of Douglas Hurd, his one-time political secretary, could have had an effect opposite to the one intended.

Abracadabra

A London company called Marvin's Magic has launched an executive service telling captains of industry how they can put tricks to use in the course of their day-to-day business.

"Imagine the situation," says the publicity blurb. "A stuffy executive boardroom... international businessmen... a delicate negotiation... finally, you pick up the all-important

contract and, to everyone's horror, rip it to shreds - then magically restore it to its original delight, relief, amusement and perhaps applause of the entire room!"

Marvin's Magic, we are told, is increasingly in demand to conjure up ways of bringing a novel and light-hearted touch to boardroom speeches, sales presentations and meetings.

Strikes me that this is pretty junior stuff compared with the juggling of figures and levitation of share prices to be seen most days in the City.

But if there is anyone out there feeling inadequate in the Black Arts department, Marvin's Magic is giving demonstrations of its executive tricks today and for the rest of the week.

The venue is Harrods.

Red chip

The future for the securities industry is brighter in Moscow than in London or New York, judging by interest in a new manual for budding Soviet stockbrokers.

Called The Securities Market: A Guide to the Brokerage Profession, the 600-page textbook is a Russian-language adaptation of the handbook used by students enrolled in the Canadian Securities Course.

The project is the brainchild of Dr Boris Alekhin, a former researcher at the USSR Academy of Sciences in Moscow and recently visiting professor at the business school of Dalhousie University in Halifax, Nova Scotia.

Alekhin says he got the idea during a visit last year to RBC Dominion Securities, Canada's biggest brokerage firm. Since then, he has set up a consultancy in Moscow (named, appropriately, Russia Securities) to advise people on the ins and outs of the stock markets.

OBSERVER



"It's the honeymoon period"

Soviet enterprises are willing to pay a huge amount of money just to know the difference between a bond and a share," Alekhin says.

He adds that Russia Securities' first contract - with a petrochemical company - was worth more than the firm's initial paid-up capital of Rhs 50,000.

The textbook goes on sale in January, with Alekhin expecting sales to reach 30,000 copies.

His publisher - Financny y Statistika of Moscow - has already asked him to start work on a second edition.

Foul play

On the playing fields of France, all is well. The country's national soccer team has left behind its ignominious failure to qualify for this year's World Cup finals and is proudly parading the longest unbeaten record in Europe.

Off the field, however, all is darkness. Half the clubs in the football league are losing money - the record is currently held by Bordeaux, with

a declared deficit of FF424m (£25m) - and most of the rest are under investigation by the police for various forms of tax evasion, under-the-table transfer fees, kickbacks and straightforward fraud.

The police spotlight is focussed most sharply on Sporting Club de Toulon, whose general manager, Roland Courbis, has been remanded in custody. But three players and two managers of Olympique de Marseille - which in footballing terms, at least, is still league leader - have been questioned by police, and Claude Bex, the manager of debt-ridden Bordeaux, is the subject of another police inquiry.

Meanwhile the entire French First Division is under investigation by the tax authorities.

Worst of all, Jean-Claude Darmon, the man who turned football into a business in France by developing its advertising potential and marketing television rights, has been charged with fraud and abuse of company funds over allegations of inflated payments to a series of screen companies.

"I'm stunned, not to say shattered," says Jean Fourmet-Fayard, chairman of the French football federation.

One of the few people involved in the affair who can still claim to be putting the interests of sport first is Roger Bambuck, the Olympic gold medalist sprinter who is now sports minister. "I will go right to the end to get rid of all the filth in football," he promises.

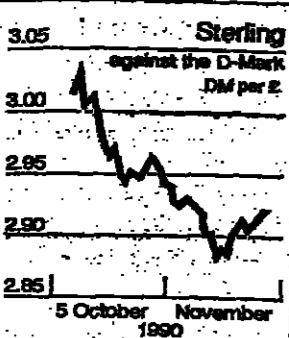
He may have his work cut out. Even the referees are tainted: Bex has claimed that those presiding over European cup matches are routinely provided with prostitutes.

Funny old world

"Knock, knock..."
"Who's there?"
"Maggie."
"Maggie who?"
"A week is a long time in politics, isn't it?"

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Britain's position in the forthcoming inter-governmental conference of European Community leaders on economic and monetary union has been greatly enhanced by Mr John Major's ascendancy.

For the prime minister-designate has been the driving force behind the plan for a parallel currency, the hard Ecu, as an alternative to the Delors Committee's plan for a three stage move to Ecu culminating in a single currency and European central bank.

Mr Major will be able to appear in Rome next month with none of the odium that came to attach to Mrs Thatcher in her dealings with other community leaders.

Although an unknown quantity for the likes of French President Francois Mitterrand, German Chancellor Helmut Kohl and Mr Giulio Andreotti, the Italian prime minister,

Mr Major can expect to be more of a master of his brief than the other EC leaders.

they will know from their ministers of finance that he is a character by nature. Mr Major can also expect to be the master of his brief to a far greater extent than the other EC leaders, having espoused and defended the hard Ecu at several meetings of EC economics and finance ministers.

It is clear from Mr Major's coming during the leadership election campaign that he will be a tough negotiator on Ecu. He has ruled out the idea of a single European currency being imposed on the British parliament and people. In that sense, his position and that of Mr Douglas Hurd, who is expected to remain foreign secretary in the Major cabinet, are no different from the stance adopted by Mrs Thatcher.

But while Mr Major has said



Currency at a crossroads: from left, Andreotti, Delors, Kohl and Mitterrand will have to grapple with Major's hard Ecu plan

The push is on for a parallel currency

Peter Norman and David Buchan on the EC prospects for Mr Major and his hard Ecu

that there are currently no circumstances in which he could contemplate surrendering monetary sovereignty to Europe, he has made clear that this position could change.

He has said that he does not know what the position will be in 15 to 20 years. In a weekend television interview, he stressed that the UK must "not deal in absolutes". He would have to study the details of any proposal to see where Britain's interest lay. This stance opens the way for Community judges, even though for the moment, Mr Major is adamant that Britain's interests do not lie in monetary union.

He believes that the rapid imposition of a single European currency would produce "intolerable" strains and seriously divide and damage the EC. Western, less flexible countries on the fringe of Europe, such as Portugal or Greece, would fall badly behind. Friction would arise because these nations would demand huge transfer payments from the northern states and not get them.

Mr Major believes that the October 1990 summit, in which 11 EC countries agreed to move in 1994 to the second institutional phase of the Delors plan with the creation of "a new Community institution" to strengthen and co-ordinate monetary policies among EC member states, was badly handled. He reckons that Britain's EC partners will be more divided when the IGC starts.

In his view, the apparent

rejection of the hard Ecu by other EC member states is as premature as the decision to go ahead with a timetable for Ecu before agreeing the substance of the moves.

The prime minister-designate believes his argument is reinforced by growing evidence that the main economies of the Community are diverging rather than converging under the pressures of rising oil prices, brought on by the Gulf crisis and German unity. While Germany, or at least its western part, remains an economic powerhouse with strong growth, the economic slowdown in France has been far sharper than expected.

In consequence, Germany is likely to raise its interest rates after next month's election while France has been pushing hard for interest rate cuts. There are differences of detail even where the EC nations have moved furthest in their drive to monetary integration - over the writing of statutes for the proposed independent European System of Central Banks (ESCB) and the European Central Bank that will manage monetary policy and the single currency if and when Ecu is agreed.

Although the central bank governors achieved a remarkable degree of unanimity, uncertainties still remain over such key details as:

• How responsibilities should be shared between the European bank's executive board and its council comprising the heads and the EC's 12 national central bank governors;

• The system's external policy; and

• The sharing out of the bank's capital and profits.

Mr Major's elevation to the premiership could be a further blow to progress on the Bank. Unlike his former rival, Mr Michael Heseltine, Mr Major has rejected the idea of independence for the Bank of England and stated that the British parliament would not accept a European central bank that was not democratically accountable. Such a stance would make more difficult the goal of Mr Karl Otto Pöhl, the Bundesbank president and chairman of the EC central bank governors committee, of obtaining an EC Treaty change incorporating the central bank statutes.

Officials in Brussels judge that Mr Major's government has some room for manoeuvre on a couple of counts at the forthcoming IGC. First, the new prime minister is passionately opposed to the creation of a "two-speed Europe", and so are some other countries, notably Spain. To avoid this, the Spanish would like the planned European central bank, which they would like to see set up in 1994, should have a long running-in period before it becomes solely responsible for monetary policy.

The Spanish have therefore expressed an interest in the hard Ecu, which would provide an evolutionary route to Ecu. Their idea is that the proposed European central bank should manage the new parallel cur-

rency, in much the same way as the European Monetary Fund of the original British proposal. That would give the bank something to do before the creation of a single currency by the turn of the century.

The second opportunity for the new British government is to stress the link with the inter-governmental conference on political union, which also starts in mid-December. In this, Britain could play a positive role, or at least not that of the sole recalcitrant.

A major government would be unwilling to approve of current proposals for the Italian presidency of the EC for a significant further pooling of foreign and defence policies. But other countries have doubts about these ideas as well, notably neutral Ireland and pacifist Denmark.

Germany and France are divided on the question of po-

There are strong pressures for a two-speed Europe in which Britain risks being left behind

ers for the new European parliament, with the UK agreeing with France that no further significant law-making powers should go to the Strasbourg Assembly.

In addition, extension of majority voting in the Council is unlikely to pose the Major government with greater problems than its EC partners, except in the field of labour market regulations.

However, there are strong pressures for a two-speed Europe in which Britain risks being left behind. Mr Pöhl has indicated on several occasions that Germany, France, the Benelux countries and possibly Denmark and Ireland now have their inflation rates and other economic conditions sufficiently aligned to embark on some form of monetary union without the others.

Majority voting in the EC Iron drawbridge between Britain and Europe

By Vernon Bogdanor

If the European Community was a state, David Martin MEP has declared, "and applied to join the Community, it would be turned down on the grounds that it was not a democracy." In Britain, the debate on Europe has focused on monetary union as a symbol of sovereignty. Yet, in addition to an inter-governmental conference to amend the Treaty of Rome on economic and monetary union, there will also be a second IGC to amend the treaty on political union.

This second IGC will have, as an important part of its remit, the pressing need to democratise the Community.

It is one of the merits of the recent report of the House of Lords Select Committee on the European Communities, that it considers the agenda for both IGCs. Indeed, the select committee considered "that it is just as important for the IGCs to address the democratic shortcomings of the Community as to increase the effectiveness of the Community or to pursue economic and monetary union".

The actual recommendations of the committee are quite anodyne, perhaps because they emanate from an unelected chamber, and do scant justice to the cogency of its analysis. The committee recognises that arguments over sovereignty have obscured the fact that the debate about democracy is not about transferring new powers to the Community, but about rendering accountable powers that have already been transferred. Before the transfer, powers were exercised by national governments responsible, in theory at least, to national parliaments. They have been transferred, however, to the Council of Ministers which is not similarly responsible to the European Parliament. It is this which constitutes the democratic deficit in the EC; and until it is remedied, the Community will fall far short of the standards of parliamentary government taken for granted in the member states.

The problem of democratic accountability has, moreover, taken on a new form following the extension of qualified majority voting, as provided in the Single European Act, which came into force in 1987. In the words of Sir Christopher Franks, leader of the European Democratic (Conservative) group in the European Parliament: "Until the Single European Act, the Council was no greater than the sum of its component parts; but with qualified majority voting it has acquired a role in its own right." It makes no sense to regard ministers as any longer accountable to their national parliaments for policies on which they may have been outvoted. And, if the voting strength of individual ministers in the Council of Ministers has been irretrievably weakened through erosion of the veto, then means that control by national parliaments has also been irretrievably weakened.

It is this crucial element - majority voting - which constitutes the dividing line between national sovereignty and power-sharing. Since the Single European Act, the EC has already become a supra-national institution, different in kind from a merely confederal organisation, which can only operate through general agreement and is unable to bind individual members without their consent. How can a nation remain sovereign when its ministers can be outvoted and required to adopt policies against their will?

This point has not yet been grasped by the government; or perhaps it is fairer to say that the more *communitarist* members of the government have to pretend not to have grasped it. In its observations on a recent report of the House of Commons Select Committee on Foreign Affairs, the government observed: "The basic democratic structure of the Community is that member states' governments take decisions in the Council of Ministers and are accountable to their national parliaments for their actions." While such a description might have been acceptable before the Single European Act it is now quite misleading. Accountability now requires not only scrutiny by national parliaments, but also by the European Parli-

ment. To achieve this, there must be co-operation between two legislatures. This means that national parliaments and the European Parliament have to be seen as complementary, not, as all too often in Britain, as two competitive institutions engaged in a duel to the death.

The perception of the Community as merely a grouping of independent, sovereign states is thus not only anachronistic; it has been the main conceptual block preventing Britain from taking a constructive position towards the reform of Community institutions at the IGC, when it is perfectly possible that majority voting will be extended from the economic and commercial areas into social and environmental policy.

In the European Parliament, Conservative MEPs find themselves part of a national group in a multi-national parliament, and for that reason bereft of influence. In the Community as a whole, the government's stance is that of a national member of a trans-national grouping. It is for this reason that, in the words of the Conservative MEP, Mr James Elles: "At a time when the iron curtain is beginning to come down between east and west, an iron drawbridge is being drawn up between Britain and Europe."

It is because it is so at odds with the burgeoning reality of the Community that the government's position has increasingly come to be seen as incoherent. For the alternative to playing a constructive role is not to cling to a conception of the Community which has been rendered outdated by the Single European Act; it is rather to withdraw, and perhaps negotiate some form of association with it on the lines of the Delors proposals for a European Economic Space. The third way advocated by the Bruges group simply does not exist.

At some time in the not too distant future, both government and people will have to make a fundamental choice: either to endorse the pooling of sovereignty, or to leave the Community. The author is a fellow of Brasenose College, Oxford.

LETTERS

West Indies show the way to a parallel currency

From Mr Frank Bellamy

Sir, Certain Eastern Caribbean nations - Antigua, Grenada, St Vincent, St Lucia, St Kitts-Nevis and Dominica, all ex-British colonies, share (with the British colonies of Anguilla and Montserrat) a common currency and a central bank. This is pegged to the US\$ at a rate of EC\$2.70 = US\$1.

Although some of these nations are increasingly working together in many fields (for example, in the UK some share high commission and tourist board premises), their citizens remain staunchly patriotic. There is no "loss of sovereignty".

It is possible that a majority of the citizens of, for example, St Lucia may oppose tentative moves towards a more federal political structure for the islands, hardly anyone there would welcome the establishment of a purely St Lucian currency.

On a business trip to the Caribbean I need to carry on my person US\$, EC\$, Barbados \$, Trinidad \$ and, sometimes, French francs. Fortunately for most business transactions, there is effectively a parallel currency covering the Caribbean basin - the US\$. As tour operators we pay hotels, airlines and handling agents in US\$. The only exception being the French islands. The benefits of this are tremendous, not least that we have only one currency variable when calculating our holiday prices for any 12 month period.

People are instantly conservative. Thus it is easy to see why there are objections to a single or parallel currency in the EC. But once a parallel currency is established, all EC currencies have permanently fixed exchange rates with it, and business dealings are normally conducted using such a currency, you will find virtually no one to argue at the present time. And at that time there will be overwhelming support for a single currency as the next logical step.

Maybe the West Indies can show us the way?

Frank Bellamy, managing director, Transatlantic Wings, 70, Pembroke Road, W3

Education is more than an election tool

From Mr John Black

Sir, Mr Michael Heseltine's idea of having a centrally controlled educational system in Britain has been broached as part of his strategy to reduce the community charge. However, the implications of this are wider than it being just a tool to reduce the poll tax.

Much is made in government circles about emulating our European partners or even Japan with regard to their attitudes towards industry and technology. Yet these nations have centrally controlled educational systems which plan long-term educational strategies in the national interest.

The last task of the Uruguay Round

From Professor Allan Buckwell

Sir, We have now all but run out of time in the Uruguay Round of Gatt negotiations in which the problems of agricultural trade have proved most difficult. Nobody who cares about improving the terms of international trade can be satisfied with the situation.

The agricultural negotiations have reached an impasse because right has been lost of the most important goal of the talks. There is no point now in trying to attribute blame; the main participants (the EC, US, Cairns group and Japan) share responsibility. Expectations were set at an unrealistically high level and some participants moved far too slowly to remedy this and take the lead.

It took three decades and several rounds of Gatt to achieve the reduction in tariff protection for manufactured goods. Given that agriculture has only comparatively recently been such a focus of attention in the Gatt, and that farm product protectionism is so entrenched and complex, it is unreasonable to expect this can all be swept away within a decade and after a single round of negotiation. What is important now is to agree a method of measuring and making public the multiplicity of distortions to agricultural trade, and to start the process of eliminating these distortions.

Substantial progress has already been made in this task. First, there is broad agreement to quantify in an aggregate measure of support (AMS) all the domestic protection given to each product or group of

products. There are still details to be agreed, but the important thing is that such measures become embodied in the Gatt as a means to the end of reducing protectionism.

Second, there is broad agreement that all forms of border protection be converted to tariff equivalents which may then be subject to progressive cuts. Again, in the first instance, the important thing is to pursue the detail of the method to achieve as watertight a deal as possible.

If the contracting parties were able to secure agreement on these measures plus a commitment to cut internal supports and border protection by a significant amount over the next decade, this is surely progress worth having. To contemplate jeopardising the future terms of global trade because we do not largely eliminate the problems of agriculture in one negotiation is foolhardy. It is much more important to concentrate on the quality of definition of aggregate measures of support and tariff equivalents which are to be bound and then reduced, than to risk failure because the quantity of the cuts are deemed by some to be insufficient.

Using the remaining period of negotiation to improve and sharpen the areas of agreement where real progress can be made seems more constructive than elaborating the areas of disagreement. Allan Buckwell, department of agricultural economics, Wye College, University of London, Wye, Ashford, Kent

of young people for a declining industrial nation.

The big issues behind all the major education acts have been about dogmatic religious issues. Butler, when president of the Board of Education, had his time saturated with weekly meetings of religious worthies attempting to obtain their slice of the religious educational cake. Ralforn's 1902 Education Act sparked off a nonconformist rate war in England which has parallels with today's anti-poll tax action.

The British, unfortunately, criticise any thought of corporatism as being socialist. No one can accuse Japan of being a socialist nation. Yet the Japanese have a corporatist state. Their ministry of international trade and industry (MITI) mobilises resources and manpower planned on very long-term strategies. The ministry of education works in conjunction with MITI to sustain and educate a highly technologically literate work force to meet the long term aims of the Japanese economy.

The structure of the ERA will have the opposite effect to what was intended. Varying degrees of desegregated state schools now have to compete with each other. The infrastructure of many state schools is in decay. There is no national long-term plan for state education or higher education in Britain. Most school managers under local management of schools face the dilemma of what priorities to meet. One secondary school I know of in Bristol has not been redecorated since the 1953 coronation.

Any attempt to reform the educational system in Britain on a centralised system must be with the major objective of improving education, as a means of improving within the nation's economy. Any other consideration - such as reducing the community charge - must be recognised as a secondary priority. The future of the British educational system is too important to be left to laissez-faire values. I have often wondered how Eton, Harrow, Winchester or any of the other Clarendon public schools would fare under local management of schools? John Black, 22, Baywater Avenue, Westbury Park, Bristol

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INSIDE

French luxuries attract investors

The French luxury goods sector of the Paris stock market is perking up. Earlier this year, it suffered as the year's weakness against the franc raised fears over sales in Japan. But such fears were overplayed, say analysts, and companies such as fashion designer Yves Saint Laurent, and LVMH, maker of cognac, champagne, perfume and luxury baggage, have seen big improvements on the Paris bourse in recent months. William Dawkins reports. *Back Page*

Fresh Polly Peck details

Investors in Polly Peck, the troubled fruit and electronics group, had some of their questions answered about the size of the group's Turkish subsidiary, Meyna, when Coopers & Lybrand Deloitte described it as a "large ongoing business". Some London analysts regard the subsidiary as one of the principal contributors to the group's total £161m (£317m) pre-tax profits last year. *Page 30*

Vesper advances 15%

Vesper Thornycroft, the UK naval shipbuilder, boosted interim pre-tax profits 15 per cent to £5.1m (£12m) despite incurring hefty redundancy costs of £1.5m. UK defence spending cuts have not had a significant impact on the company as the Royal Navy is maintaining the size of its mine hunter fleet. Vesper indicated that the yard has about four years' work on its order book and about 30 per cent of its turnover is now derived from non-shipbuilding activities, such as safety equipment for North Sea oil rigs. *Page 31*

Prize fighters slug it out

Bloodied but unbowed, the EC trade negotiators at the Geneva round of Gatt talks continue to do battle with their aggressive US counterparts. At stake is the attempt by the powerful American grain lobby to regain the lucrative world markets it lost to the EC during the 1980s. Amid charges that the US is not fighting its corner fairly, there are concerns that a farm trade truce will mean the end of the people's choice to eat. Tim Dickinson and Nancy Dunne take a sceptical look at the latest talks. *Page 32*

'Little bang' in Belgium

Belgium is a straggler in the European securities stakes behind London, Paris and lesser thoroughbreds. In the next few weeks, however, a series of legislative changes will be voted through the Belgian parliament turning much-awaited financial reform into concrete reality. Tim Dickinson reports that the big test for finance minister Philippe Maystadt (left) will be to stem the flow of local business to other financial centres. *Page 33*

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Chief price changes yesterday

FRANKFURT (DM)		PARIS (FF)	
Alcatel	1008 + 28	Alcatel	789 + 38
Alcatel	1100 + 28	Alcatel	1110 + 38
Alcatel	1100 + 28	Alcatel	1110 + 38
Alcatel	1100 + 28	Alcatel	1110 + 38
Alcatel	1100 + 28	Alcatel	1110 + 38
Alcatel	1100 + 28	Alcatel	1110 + 38
Alcatel	1100 + 28	Alcatel	1110 + 38
Alcatel	1100 + 28	Alcatel	1110 + 38
Alcatel	1100 + 28	Alcatel	1110 + 38

LONDON (Pence)		PARIS (FF)	
Alcatel	22 + 5	Alcatel	482 + 15
Alcatel	22 + 5	Alcatel	482 + 15
Alcatel	22 + 5	Alcatel	482 + 15
Alcatel	22 + 5	Alcatel	482 + 15
Alcatel	22 + 5	Alcatel	482 + 15
Alcatel	22 + 5	Alcatel	482 + 15
Alcatel	22 + 5	Alcatel	482 + 15
Alcatel	22 + 5	Alcatel	482 + 15
Alcatel	22 + 5	Alcatel	482 + 15

Guinness to buy 67.5% of Asbach

By Philip Rawstone in London

UNITED Distillers, the Guinness spirits company, is to buy a 67.5 per cent stake in Asbach, producer of Germany's leading premium brandy. The price is understood to be about £10m (£19.7m). The deal is the second foray made by Guinness into continental Europe within a week. Last Wednesday, it announced a £50m agreement for Cruz del Campo, Spain's largest brewer. Asbach, based at Rudesheim, on the Rhine, had a turnover last year of DM488m (£316m). Its consolidated net assets at the year end amounted to DM18m (£11.5m). Mr Tony Green, UD's managing director, said yesterday that the deal had been agreed with all of Asbach's family shareholders. "Asbach will significantly strengthen United Distillers' position and broaden its premium-branded portfolio in the important German market," he added. Apart from its Asbach brandy, UD has a number of other brands with 1.4m cases last year - the company markets Germany's leading grain spirit, Furst Bismarck Doppelcorn. Some 90 per cent of the sales of these brands are in Germany and Austria. UD and Doppelcorn will give UD more strength in a market where international brands of Scotch whisky and gin - the core of its portfolio - have made only slow headway. UD said it had no immediate plans to make any changes in the business. It may offer future marketing and distribution benefits, but UD already has joint ventures of that kind in Germany with the privately-owned drinks company, Underberg, and with Heide, a Bacardi subsidiary. Underberg, the Underberg joint venture company, markets Dewar's Dimple, Haig and Black & White Scotch whiskeys, and Pimm's. The Heide joint venture, markets Johnnie Walker and Cardhu whiskeys, and Gordon's gin. Within the last two years, UD has significantly trimmed the European distribution network it inherited in the 1986 takeover of Distillers Group. UD has less than 50 distributors in Europe - down from 244. Most of UD's volume - Scotch whisky and gin - goes through 12 joint venture companies.

Brent Walker misses deadline to raise £99m

By Maggie Urry in London

BRENT WALKER, the leisure and property company which is struggling with a £1.4bn (£2.75bn) debt mountain, yesterday failed to complete a crucial £103.3m bond issue on deadline. Only about £50m of the money pledged by underwriters and placed on the bond issue had arrived. "The bond issue was an important element of a restructuring of the group's loans agreed with its 50-plus banks. The banks stipulated that the issue would have to raise at least £50m, while at least one of the places had demanded a minimum issue size of £100m. The deadline, already delayed from last Friday, has been extended to midnight on Friday, November 30. Meanwhile, the £28m is being held in escrow. The £28m includes £27m from Birdcage Walk, the family trust company of Mr George Walker, chairman and chief executive of the group. One banker said last night: "If the minimum £100m is not in by Friday night the bond issue will fold. Then the banks will have to decide what to do about the company's funding requirements." This could mean, he said, starting from scratch on reworking the entire refinancing package. The banks agreed had allowed a standstill on capital repayments until the end of 1991 and provided extra working capital. Without the £100m from the bond issue, the banks might have to forego at least some of the interest on loans too or force more asset disposals at a time when the property market is weak. Mr Dermot Smurfit, joint deputy chairman of Jefferson Smurfit, the Irish-based paper and packaging group, said last night that the £28m being put up by the company and by Mr Michael Smurfit, its chairman, had been paid.

Rosehaugh loses £165m on UK property provisions

By Vanessa Houlder in London

ROSEHAUGH, the UK property development group run by Mr Godfrey Bradman, yesterday announced a pre-tax loss of £165.47m (£325.4m) for the year ended June 30, prompting its shares to fall 7p to 101p. Rosehaugh sent warning signals to the market about the prospect of substantial losses but the scale exceeded analysts' expectations. The bulk of the losses stemmed from provisions of £137m against trading properties and discontinued projects. Mr Bradman said the provisions, which reflected the major deterioration of market conditions, were "holistic". "We have acted decisively on a number of fronts to secure the group's long term future prospects," he said. The size of the provisions underlines the severity of Rosehaugh's problems which were first revealed when the company had a £125m rights issue in February. The net asset value amounted to £475m, compared with the previous year's total of £620m, when adjusted for the rights issue. The borrowings on the balance sheet had fallen to £350m, compared with £410m prior to the rights issue. The pre-tax loss of £165.5m compared with last year's pre-tax profit of £38.12m. It left £215.44m after tax, because of a £14.03m tax credit. Turnover fell from £181.57m to £103.21m. There was a loss per share of 183.7p compared with last year's profit of 28.23p. The dividend was passed.

Glaverbel in Czech expansion

By Tim Dickinson in Brussels and Anthony Robinson in Prague

GLAVERBEL, the Japanese-controlled company which is Europe's third biggest flat glass producer, announced yesterday plans to take a minority stake in Sklo Union, the Czech state-owned glass company. In one of the first substantial deals by a Belgian public company in the emerging democracies of Eastern Europe, Glaverbel has initially agreed to acquire a 40 per cent shareholding in Sklo Union, Sklo Union's flat glass division. The proceeds from the deal - around \$48m - will be used to recapitalize Sklo Union, which has been valued by Bankers Trust, its financial advisers, at between \$120m and \$200m. Glaverbel, controlled by Asahi Glass of Japan, said that after three years its stake would probably be increased to 65 per cent. The deal, provisional terms of which were subject to a signing agreement in Prague yesterday, inaugurates Czechoslovakia's "big company" privatisation programme. It will be followed later this week by a decision on a future foreign partner for the Skoda automotive company, according to Mr Jan Vrbna, the Minister for Industry for the Czech Republic. Sklo Union is Czechoslovakia's leading industrial glass producer with production capacity last year of more than 600,000 tonnes, and sales of about \$125m. The provisional agreement provides for the upgrading of Sklo Union's existing plants and machinery and the development of new product areas, with Glaverbel contributing marketing and technical assistance to expand the Czech group's existing presence throughout Europe. Both companies see the opportunity to develop Sklo Union's potential as "a top class flat glass manufacturer" while Glaverbel said the move gives it "an important strategic presence" in the expanding markets of Eastern Europe. The existing senior management of Sklo Union - which was converted in early October into a joint stock company - will continue to manage the business on a day-to-day basis "drawing support from Glaverbel as appropriate." Mr Luc Williams, chief executive of Glaverbel, said it decided to invest in Sklo Union because of its technical skills and the fact that its main factories are within 10 miles of the German border. "It reflects our belief that Czechoslovakia has the best chance to raise its economy to the level of western productivity," he said.

"STOCK EXCHANGE development in Europe is well behind the rest of the 1992 programme," says Mr Nicholas Bar, president of the Zurich stock exchange. Mr Bar has been watching events carefully. He knows that if the European Community's national stock exchanges could only overcome their differences and create a true EC-wide capital market, Switzerland's own financial markets - and market intermediaries - would be threatened.

But from what he has seen of the EC exchanges' plans so far, Mr Bar is not perturbed. "A lot of these projects live because they feed the ego of one person or organisation," he says. "If it works, it would be damaging for us. But we are sceptical. We have to live on facts, not the future."

His counterparts in the EC have been busy in recent months lining up the future. And as views and alliances have hardened, the future they are seeking - a co-operative way to promote cross-border securities trading - slips ever further away.

On the one hand, the French, Belgian and Italian exchanges have been explicit in recent weeks about their desire to reinforce their local stock markets. Any cross-border dealing arrangements should involve linking the existing national exchanges electronically, rather than creating an entirely new international market-place, they say.

According to this view, European investment laws should be framed to underpin national stockmarkets.

Other exchanges believe to varying degrees in the creation of a custom-built market for internationally minded investors. The UK leads this camp, but is far from alone.

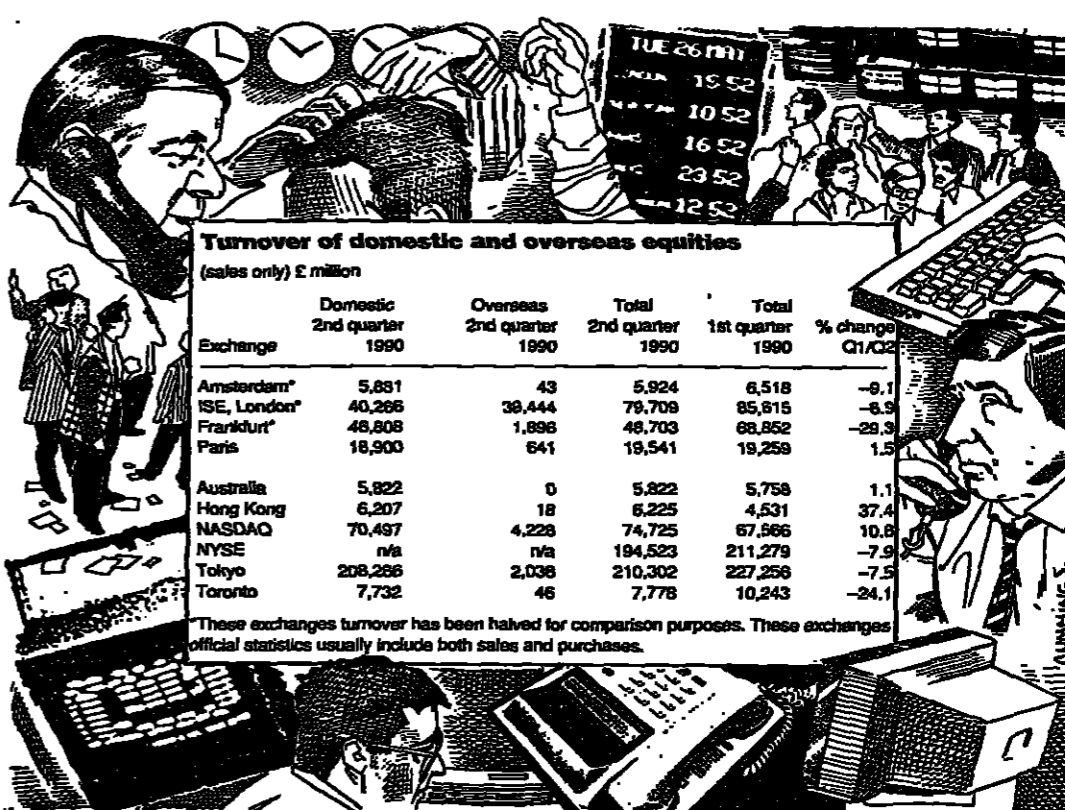
The main disagreement among supporters of a new market is over the form it should take. Should it be a lightly regulated, quote-driven wholesale market for professional investors; or a more tightly controlled market for retail customers, possibly with a degree of order-matching?

The Germans so far have straddled both camps, arguing against the French line on protecting local stock markets, but not fully committed to the sort of international wholesale market promoted by London. As Mr Rüdiger von Rosen, vice chairman of the Federation of German Stock Exchanges, says: "We are somewhere in the middle."

Nationalism has held back the debate. In Germany, though we have talked to our major users, there are still people who think we should build up our own national systems first and then move to international co-operation," says Mr von Rosen.

The battle for the future of a European stockmarket has been fought on two fronts within the past fortnight.

The first battleground was Dublin, the venue for the latest six-monthly meeting of the Federation of Stock Exchanges in the EC. The exchanges represented at this meeting came away with



Birth of a market needs burial of differences

Richard Waters and George Graham chart the EC's slow progress towards pan-European share trading

different ideas about what they had decided among themselves.

The French and Germans, for instance, believe there was strong agreement among the exchanges to build a new cross-border trading system. The British, however, claim this depends on a strong commercial case being made for the development. That is some way off the company due to run the system, Euroquote, has still to make a convincing case for developing the price distribution network on which the trading system would be based.

There is similar disagreement on the outcome of other aspects of the Dublin talks. Should the EC exchanges develop an index of European companies, similar to ones already promoted by Amsterdam and London? Should they try to make the settlement of cross-border deals easier, either by building their own system or using an established operator like Euroclear or Cede?

The answers to these questions are as varied as the nationalities of the people being asked.

Two things are clear: first, a trading system, a European index and cross-border settlement would take years to build, even if everyone agreed they were desirable. And second, the basic dis-

pute remains whether national bourses should give up part of their business to a new supra-national entity. According to Mr Régis Rousseau, chairman of the French stock exchange: "It is important to understand that the different European stock exchanges are enterprises in the business of supplying investment services. As enterprises, we want to supply these services to all our client segments: that means both retail and institutional clients, and in the institutional segment it includes big international investors."

Such arguments are seen in London as a direct attack on Seag International, the five-year-old share price information system which now supports the world's largest market-place for international share trading. Transparency is not one of Seag International's selling points. Although all trades are reported to the exchange authorities, they are not published to the market. Judging by London's large share of cross-border share dealing, professional investors obviously agree that they can take care of themselves.

Mr Rousseau remains convinced that all the European exchanges will be obliged to co-operate, if only because no single exchange has the means and resources to develop a successful European trading system on its own. "We have no choice, we have to collaborate," he says.

The second battleground has been Brussels, where EC economic and finance ministers have clashed recently over the proposed Investment Services Directive. The French, supported by the Belgians, Italians and Spanish, have argued for what amounts to a statutory monopoly for national stock exchanges, and for keeping banks out of the stockbroking business. "Protectionism" cry rivals.

The exchanges claim, though, that they are making a valid attempt to protect the interests of investors. They say that central national stockmarkets act in the interests of all investors, while making regulation easier.

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INTERNATIONAL COMPANIES AND FINANCE

Receivers present report on NFH

By Hilary Barnes in Copenhagen

THE EQUITY capital of Northern Feather Holding (NFH), the Danish company whose collapse has badly shaken the Danish business world, will probably be negative when the accounts have been completed.

That is the conclusion of a preliminary report to creditors by the receivers appointed last week by the Maritime and Commercial Court in Copenhagen. NFH is the parent company of Northern Feather, the bedding and household textiles group.

NFH went to the court on November 19 following the suicide of Mr Johannes Petersen, its executive chairman on November 17.

NFH is one of Denmark's oldest companies. Its turnover

last year was about Dkr2.6bn (\$455m) and it had 4,200 employees worldwide and manufacturing subsidiaries in the US, UK and Germany.

The receivers' report reveals some highly creative bookkeeping, which turned a large loss for the year to end-March to a sizeable profit, but the report gave no indication of the possible extent of the losses to creditors if the group goes into liquidation. Total group liabilities at March 31 were Dkr3.69bn.

The leading Danish banks are understood to be among the main creditors, but about 40 foreign banks also have claims on the company.

Several respected Danish business figures, who were members of NFH's supervisory board, have said that Mr Peter-

sen misled them as to the true state of the group's finances.

Commentators and analysts have pointed out that frequent changes of accounting principles, as well as company auditors, over a period of several years should have alerted board members and the financial world that something was seriously wrong.

NFH told the Copenhagen Stock Exchange on September 26 that in the year to March 31 it made a net profit of Dkr50m and its equity capital was Dkr558m.

This "did not give a true and fair picture," the receivers said.

The group's own financial department reported a loss of Dkr349m and equity capital of only Dkr4m before "special

group postings" improved the appearance of the accounts.

On September 25, Mr Petersen told a meeting of shareholders that 52 per cent of the equity in Northern Feather International of the Netherlands was sold to foreign investors for about Dkr500m.

It is doubtful whether this share transfer was carried out or, if it was, whether it is legally binding, the receivers said.

The group's collapse was precipitated by reports that three international textile companies which, according to Mr Petersen, were investing in NFH as part of a strategic alliance, had not, in fact, agreed to buy equity.

Investing in India's economic future



Basant Kumar Birla: an ambitious blueprint

CONSERVATIVE economists issue dire predictions of looming hyperinflation in India. The Indian ministry of finance announces the country has barely enough foreign exchange reserves for 10 days' worth of imports.

The energy secretary warns of large power cuts. International bankers shy away from lending to a country riddled with political uncertainty.

In the middle of India's worst economic crisis, Mr Basant Kumar Birla, head of India's second biggest business house, said he was "optimistic about the economy."

And he was willing to stake his money on it: he is proposing to invest Rs15bn (\$322m) on four big greenfield projects.

Agreeing that certain sectors of the economy did not look so good, the patriarch of Indian industry ticked off some of the good points: "Look at the stock exchanges. They are up, not down. Investors are happy. By and large companies are making profits, so shareholders are also happy. I do not subscribe to the view that India is facing the worst economic crisis since independence."

Mr Piga said yesterday that Enimont was in need of strong leadership and a president should be appointed within a maximum of two weeks.

He added that Enimont must be managed like a quoted company and should pursue international alliances. Its future should not be that of a "state chemicals company" and, when the conditions exist, "it will return progressively to the market with a flotation of a certain weightiness".

Despite political uncertainty and dire warnings of hyperinflation, businessman Basant Birla remains optimistic. Gita Piramal reports

Even as most Indian industrialists put their projects on ice until the political situation is clearer and they know whether their favourite politicians and bureaucrats have found a place in Mr Chandrashekhar's Congress party-backed administration, Mr Birla is putting the finishing touches to an ambitious blueprint which envisages heavy investments in power, cement, polyester and tyres.

Of the Rs15bn investment, more than half (Rs8bn) is earmarked for a 440mw thermal power station in Rajasthan, for which the Birla group has already signed a memorandum of understanding with the state government.

Already one of the largest cement manufacturers in the country, producing over five million tonnes/annum, 11 per cent of India's total production through eight units scattered across the country, Mr Birla expects to spend Rs2.5bn on adding to the group's existing capacities.

Through one of his flagship companies, Century Enka, Mr Birla is planning to invest Rs2.35bn in a polyester filament yarn project in a joint venture with Akzo Fibres and Polymers of the Netherlands. Another Rs2.25bn will go towards funding the first phase of a tyres and tubes plant on a site at Balasore (in the state of Orissa) in collaboration with Italy's Pirelli.

Most of the nine companies under Mr Birla's management, with combined post-tax profits of Rs1.4bn from sales of Rs17bn, have chalked out their own investment strategies for expansion. Other companies of the diversified, 43-company group, which notched up sales of Rs45bn last year, have their own capital-hungry agendas. A rough estimate reveals the group will probably spend over Rs50bn on building refineries, petrochemical complexes and more cement plants.

Cross-selling fails to motivate the salesforce

William Pitt reviews the plans of Europe's banks and insurers to sell each others' products

EUROPE's leading insurers and bankers may be enthusiastic about the benefits of cross-selling each other's products. But convincing the insurance companies' existing salesforces is not always easy, as UAP - France's biggest insurer - has been discovering.

UAP's "bancassurance" partner is Banque Nationale de Paris. Like the insurer, BNP is state-owned. Early last year, UAP and BNP agreed, with the blessing of the French government, to swap 10 per cent of their shares and cross-sell various products.

Mr Jean Peyrelevade, UAP's chairman, assigned an important role to his company's 1,600 tied agents in making the relationship with BNP work. Not only were the agents to promote a range of BNP's consumer credit products, they were also to provide an after-sales service to UAP policyholders who had bought insurance through BNP branches.

The attraction of this arrangement for both the insurer and the bank was that it minimised the need to train the bank's staff in handling insurance business. They would simply sell the cover and hand the dossiers over to the local UAP agent.

The agents have gone along with this, but grudgingly. They are unenthusiastic about becoming, as one French insurer puts it, "subcontractors to the bank," particularly as the UAP products being sold through BNP branches are those mainstays of the agents' livelihood, motor and household insurance.

UAP denies that the reluctance of the agents to co-operate in building up rival networks to their own has slowed the pace of rapprochement between UAP and BNP. The insurer's products are available in less than a tenth of BNP's branches in only five French cities.

UAP says this is because BNP's staff need to be carefully trained to be able to advise clients on what form of cover to buy. It currently takes an average of 45 minutes of bank staff time to sell a UAP insurance policy; the insurance company is trying to simplify its products to speed up the process.

Nevertheless, UAP is clearly eager to ensure a smooth relationship between its agents and its new banking partner.

before extending the current pilot scheme much further.

In an attempt to mollify the agents, UAP raised the possibility of releasing them from their contractual obligation to sell only UAP products. The company offered them what Mr Peyrelevade termed a "free space" - up to around a tenth of their turnover - to sell insurance on behalf of other companies.

This too has gone sour. UAP's agents jumped at the suggestion - UAP insists it was only ever a suggestion - and signed agreements with the British insurer Eagle Star and various other foreign companies. UAP threatened to cancel its own contract with the agents if they went any further. The agents backed down.

The "free space" proposal is still on the table, UAP insists. But its exact form is unlikely to be decided before the new year when, it is hoped, a nationwide agreement between French insurers and their tied agents will be signed.

UAP's drama with its agents is being played out on a wider European stage. Throughout the European Community, insurance companies are reviewing their relationships with their traditional tied agency salesforces as new distribution channels open up.

In France and Italy, in particular, the agents are being squeezed from two sides. The rapid growth in life assurance business in both countries is being led by the banks which have cost advantages over the agents in selling the simpler forms of cover. And from the other side, the independent insurance brokers are winning a bigger share of the more complicated industrial risks.

Insurers in both countries are seeking, through their trade associations, to encourage the agents to be more flexible in working alongside other distribution networks.

In France, this means updating the agents' hoary statistics, dating back to 1949 for non-life business and 1954 for life business.

What most alarms French insurers is the prospect of being hemstrung by restrictive contracts with agents which prevent them from entering into potentially lucrative relationships with anyone other than their traditional clients.

They want contracts to be put

officially reviewable rather than indefinitely binding as now.

The French insurers' association, the Fédération Française des Sociétés d'Assurances, is not commenting publicly in the progress of the negotiations. But the representatives of France's 21,000 agents must be proving hard to convince: late last year, the FFSA predicted an outcome by July this year and that has yet to materialise. Both sides have put draft proposals to their members and are hoping for full agreement by January.

In Italy, the ANIA (Associazione Nazionale delle Imprese Assicuratrici) is likewise talking to representatives of the country's 20,000 agents, as well as government officials. The bone of contention is how insurers may modify their agents' traditional right to sell their products exclusively in agreed locations.

There is an irony in the current antagonism between insurers and their tied agents. The territorial exclusivity of tied agents has historically been their greatest attraction for insurers: it has made it impossible for competitors to encroach without recruiting and training their own local salesforces at great cost.

This may yet seem to help check the flow of foreign insurance companies into Italy. Certain foreign insurers have been tempted to buy struggling Italian insurance companies, simply in order to gain access to their distribution networks.

Guardian Royal Exchange announced heavy losses on last week's purchase at the end of August.

Mr Robert Tann, an insurance analyst at Credit Suisse First Boston Securities in London, points out that tied agents remain "the backbone of [Italian] insurance companies. The results of going against them or threatening them could be disastrous."

He also observes that not all the insurers are bad for tied agents. In Europe, in the UK, Europe's most sophisticated market for life assurance, insurers suddenly rediscovered the attraction of tied agents in 1988 when the Financial Services Act imposed onerous disclosure requirements on independent insurance brokers.

William Pitt is a Paris-based freelance journalist.

MCA sale is a reel big earner

MCA chairman and chief executive officer, Mr Lew Wasserman, (near right) stands to receive about \$330m from the sale of the Hollywood studios entertainment group to Matsushita, the Japanese electronics concern.

On Monday Mr Akio Tanii (far right), president of Matsushita, appeared on screen before journalists in a Tokyo to announce that the Osaka-based company was buying MCA for \$6.1bn, the second largest US corporate takeover ever this year.

The takeover calls for a payment of \$66 a share to MCA shareholders plus separate stock in MCA's WWOR-TV television subsidiary worth \$5 a share.



Stake sold in Spanish sugar

SUCRE UNION and Générale Sucrière, French sugar producers, Tate & Lyle of the UK and E.D. & F. Man, the UK sugar broker, have bought a 21 per cent stake in Spain's second-largest sugar manufacturer, Sociedad General Azucarera de España.

Groupe Saint Louis, the French food group which owns Générale Sucrière, said a jointly owned company would hold the stake. SGAE has a European Community production quota of 230,000 tonnes.

Cagliari Enimont nomination vetoed

By John Wyles in Rome

MR FRANCO PIGA, Italy's minister for state shareholdings, yesterday vetoed the nomination of Mr Gabriele Cagliari, the president of ENI, the state energy group, to the presidency of Enimont, the chemicals group.

At a meeting with the ENI executive, Mr Piga said there were clear rules governing the holding of more than one top managerial position in the public sector and these prevented Mr Cagliari from taking charge

of Enimont. ENI is to spend L4,200bn (\$3.75bn) acquiring the 40 per cent stake in Enimont held by Mr Raul Gardini's Montedison and a further 20 per cent in third party hands.

ENI was due to announce later yesterday the nomination of many of its top executives to the Enimont board in the wake of the acquisition. These should not run into the same difficulties with the rules.

Mr Piga said yesterday that Enimont was in need of strong leadership and a president should be appointed within a maximum of two weeks.

He added that Enimont must be managed like a quoted company and should pursue international alliances. Its future should not be that of a "state chemicals company" and, when the conditions exist, "it will return progressively to the market with a flotation of a certain weightiness".

PepsiCo gets go-ahead to end Perrier contract

By William Dawkins in Paris

PEPSICO, the US soft drinks multinational, yesterday received the go-ahead from the Paris Commercial Court to end the Perrier mineral water group's 27-year-old contract to bottle and distribute Pepsi-Cola in France.

This brings to an end a 12-month row between the two groups, the start of which was the first of the spectacular problems encountered by Perrier over the past year.

Last February, Perrier withdrew 160m bottles of its own brand of sparkling water following the discovery of minute traces of benzene.

This was followed in June by the retirement of its chairman, Mr Gustave Leven, who bought the Perrier spring in 1948.

Perrier reported more than doubled first-half profits early this month, but that was due to a one-off EFRbn (\$19m at current rates) gain from the sale of its soft drinks division to Cadbury Schweppes.

The US company ended the franchise deal on the grounds that Perrier underperformed and let Pepsi-Cola's market share decline - an allegation denied by the French group.

Pepsi-Cola France will take control of the French business from the start of next January. Call France, a beverages broker, will provide sales and distribution support while the US company sets up its own arrangements.

Wessanen, the Dutch foods group, said its chairman, Mr Gerrit van Driel, died on Saturday. Mr Van Driel, aged 68, had been Wessanen's chairman since 1970. He was due to retire at the end of this year, Reuters reports.

Wessanen said it had appointed board member Mr Peter Bakker Schuit, who was to succeed Mr van Driel on January 1, to take over as new chairman from November 26.

Andersen fee income climbs

By David Waller

ANDERSEN Consulting, the consulting arm of the Arthur Andersen accounting organisation, managed to increase its European fee by more than 40 per cent in the year to end-August, despite mounting recessionary pressures.

Fee income rose from \$45m to \$65m, with Germany and Italy doing particularly well. Revenues there rose by 69 and 66 per cent respectively. Industrial and consumer products and financial services were the strongest market sectors.

Andersen specialises in conducting long-term, information technology-based consultancy projects. The market for this is fast-growing and fragmented and competition comes from software houses, consultancy firms and consultants.

Mr Vernon Ellis, head of Europe for Andersen Consulting, said the Gulf crisis had made a discernible impact on potential clients' investment intentions. He said the firm's structure - with operations separated from the accounting side of Andersen - would make the firm more recession-proof than competitors.

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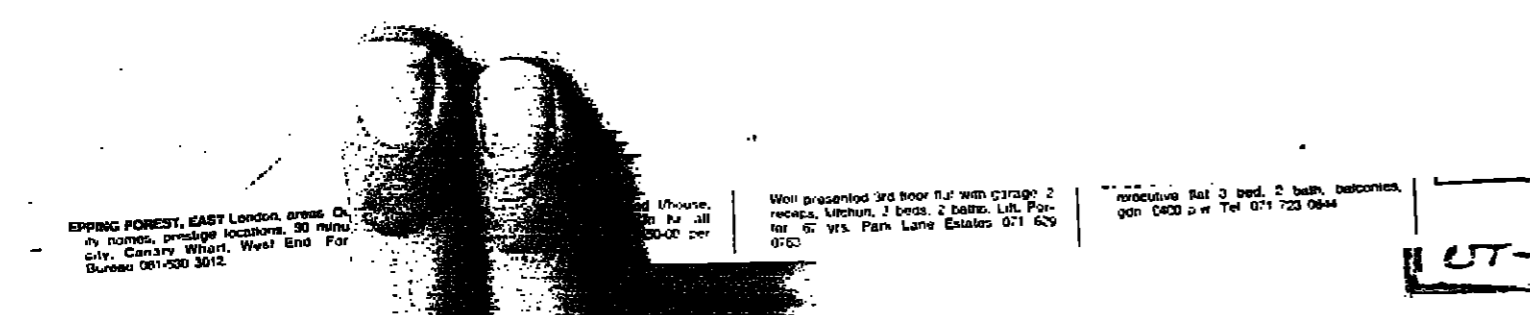
In accordance with the provisions of the Notes notice is hereby given that for the six months period from November 23, 1990 to May 23, 1991 the Notes will carry an interest rate of 10% per annum with a coupon amount of U.S.\$ 502.78 on U.S.\$ 10,000, - and U.S.\$ 2,513.88 on U.S.\$ 50,000, -.

Frankfurt/Main, November 1990
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MIZO



INTERNATIONAL COMPANIES AND FINANCE

Eastern Airlines asks court for further \$120m

By Nikki Tait in New York

EASTERN Airlines, the ailing US carrier which is already in Chapter 11 bankruptcy proceedings, yesterday asked the courts to release a further \$120m from an escrow fund in order to keep it operating through the first quarter of 1991.

A couple of weeks ago, Eastern received \$15m with the bankruptcy court's permission. This was half the \$30m it had been seeking to pay its November bills and was granted despite the opposition of unsecured creditors who said they would prefer to

see the carrier go into liquidation.

At that stage, the judge had said that Eastern would be able to acquire the remaining \$15m on December 3 if it met certain conditions.

The airline had also asked for a further \$40m for December and another \$10m for January.

However, Eastern said yesterday that the making of repeated requests increased the perceived uncertainty over the airline's future and was proving damaging.

There were reports that, in a

filing with the courts late on Monday night, Eastern put the cost of the liquidation at \$55m to \$70m in cancellations.

Mr Martin Shugrue, the court-appointed trustee who is running the airline, has stated that he believes the airline should be breaking even by the end of the first quarter of 1991.

A hearing on the latest request was due to take place in the Manhattan courts late yesterday afternoon and Eastern said that it was hopeful of a quick decision.

High costs hit Australian carrier

By Kevin Brown

AUSTRALIAN Airlines, the government-owned domestic carrier, should achieve net profits of between A\$60m (US\$46.1m) and A\$100m this year, Mr John Schaap, chief executive, said yesterday.

Mr Schaap said the airline was experiencing a "very tough year" because of a A\$60m increase in fuel costs caused by rising oil prices and a first-quarter decline in business travel.

Australian recorded a loss of A\$12.7m in the year to June 30, largely as a result of a pilots' strike which lasted nearly 12 months.

The government recently announced plans to sell its 100 per cent stake in the airline as

part of a programme of economic reforms.

Mr Schaap said Australian was up to 4 per cent ahead of Ansett Australia on most routes and had a greater share of the more profitable business market. Ansett, owned jointly by TNT and News Corporation, is the other leading domestic airline.

Mr Schaap said Australian was likely to lose some passengers to Compass Airlines, a new competitor scheduled to start services between major domestic destinations on December 1.

However, he forecast there would be room for only two leading carriers in the Australian market in the long term.

● **GARUDA INDONESIA**, the national flag carrier, projects revenues of Rp2,600bn (about \$1.4bn) for this year, up from Rp1,900bn last year, Kyodo reports from Jakarta.

Garuda made around Rp1,970bn profits last year.

The airline projected revenues of Rp3,500bn in 1991, which has been designated "visit Indonesia year".

Meanwhile, Mr Frans Sumolang, president director of Merpati Nusantara Airlines, Garuda's sister company, said that Garuda's revenues include those of his company, which operates domestic flights.

For this year, Merpati's revenues are estimated at Rp300bn, triple last year's Rp100bn.

Variety sales jump but income slips in quarter

By Bernard Simon

VARIETY Corporation suffered a relatively modest drop in third-quarter income, with improved earnings from its fast-expanding automotive parts business offsetting sluggish conditions in its long-established farm-equipment and industrial engine divisions.

Net income dipped to US\$20.2m, or 6 cents a share, in the three months to October 31 from US\$22.2m, or 7 cents, a year earlier.

The latest figures include a \$15.5m charge to settle a dispute with the Canadian and Ontario governments and the Canadian Auto Workers union over a Variety proposal to move its head office from Toronto to Buffalo, New York.

Third-quarter sales jumped to \$920.3m from \$835.4m, largely reflecting last December's acquisition of Kelsey-Hayes, a US automotive parts maker. Automotive products contributed 43 per cent of Variety's sales in the latest period, up from 11 per cent a year ago.

Variety, formerly Massey-Ferguson, said that Kelsey-Hayes sales and earnings had risen in each quarter this year, despite the slump in the motor industry. Its products include anti-lock brakes and aluminium and steel wheels.

However, Massey-Ferguson, which claims a share of about 20 per cent of the world's tractor market, suffered a drop in sales and earnings, due mainly to softer demand in European and North American markets.

Earnings at Perkins, the diesel engine maker, were steady on a slight increase in sales.

Mr Victor Rice, chairman, said overall sales could dip in the fourth quarter. He said all divisions were moving to cut inventories and receivables, and the company was also giving high priority to paying down its \$736m long-term debt.

Inventories increased to \$637.2m on October 31 from \$527.6m a year earlier.

● **Mitsui sets up Shanghai venture**

MITSUMI & CO, the Japanese energy-to-feedstuffs trader, has set up a distribution service venture in Shanghai with its group company, Mitsui Warehouse, and two Chinese public corporations, Kyodo reports from Tokyo.

The new company, Shanghai Kinchong Distribution Processing Service, is capitalised at ¥130m (\$1.5m).

● **Toyo Tire and Rubber** is to form a joint venture with Gencorp, the US chemical manufacturer, to sell vibration-control rubber parts used in vehicles, Kyodo reports.

The company is to be called GT Automotive. Gencorp will invest 60 per cent in the venture and Toyo 40 per cent.

● **Malaysia's Hong Leong** (Malaysia) has bought 20.3 per cent of Nanyang Press (Malaysia), for an undisclosed sum, Reuters reports.

Coles Myer expects improved year despite tough conditions

By Kevin Brown in Sydney

COLES MYER, the Australian retail chain, yesterday forecast improved profits for this year, in spite of a slowdown in the economy, provided trading during December is satisfactory.

Mr Brian Quinn, chairman, told the annual meeting that trading for the first four months of the year had been difficult, and predicted that conditions would remain tough until mid-1991.

"Providing there are no

major shocks, we are confident of a satisfactory December," Mr Quinn said. "If this can be achieved, then I forecast an improved profit performance over the full 12 months of the current year."

Coles Myer reported a 7 per cent fall in net profits to A\$365.1m (US\$281m) for the year to the end of July. The shares closed 2 cents lower yesterday at A\$8.28.

● **Mr Pat Goodman**, chairman of Goodman Fielder Wattie, the Australasian food group, was re-elected with 92.5 per cent of the votes in a poll forced by minority shareholders, the company said.

The poll followed a show of hands at the annual meeting on Monday, when some shareholders voiced criticism of the UK-listed earnings from continuing operations by 16 per cent in the third quarter.

Earnings climbed to C\$12.6m (US\$11m), or 19 cents a share, from C\$10.9m, 17 cents, a year earlier. Sales dipped to C\$307.5m from C\$341.9m, due to the closure of a beef abattoir.

The figures reflect the consolidation of Canada Packers with another Hillsdown subsidiary, Maple Leaf Mills. The two companies' operations were combined on June 30 when Hillsdown completed its purchase of a 56 per cent stake in Canada Packers.

For the first nine months of the year, earnings from continuing operations rose to C\$36.2m from C\$33.7m. Sales increased by 1.3 per cent to C\$2.81bn.

Since the takeover, Hillsdown has cut a swathe through Canada Packers, previously controlled by the McLean family of Toronto and widely viewed as a stodgy company in need of a shake-up.

Several senior executives, including the president, have left the company, and the head office workforce has been reduced to give operating divisions more responsibility.

The processed foods group has been split into three separate units, and the company has put its edible oils and dairy divisions up for sale.

The flour and grain businesses are being rationalised through a joint venture with John Labatt, a leading food and beverage company. The company earlier completed the sale of its interest in a British meat operation to its partner, J Sainsbury.

Canada Packers said earnings at its biggest division, fresh meats, improved in the third quarter but were still "far from satisfactory". It said the weak performance was likely to continue until the industry-wide problem of excess capacity was resolved.

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Toshiba rises 12% on strong demand at home

By Emiko Terazono in Tokyo

CONSOLIDATED net income at Toshiba, the Japanese electrical group, rose 12 per cent to ¥70.7bn (\$552m), or ¥20.57 a share, in the six months to September 30 on sales up 13 per cent to ¥2,265.4bn, writes Ian Rodger in Tokyo.

Strong domestic demand for the group's products, and rapid sales growth of laptop and notebook computers, accounted for the good result.

Sales of laptop and notebook computers in the full year are expected to reach ¥284bn, 42 per cent up on last year.

Nevertheless, a weakening world economy and soft markets for semiconductors have led the group to revise down its forecast net income for the full year to ¥145bn from its earlier forecast of ¥145bn. This would still represent a 6.2 per cent rise over last year.

● **Pioneer Electronic**, the Japanese audio equipment maker, has acquired the Japanese rights to films that US producer Carolco Pictures is currently producing and those to be made in the future.

The agreement initially gives Pioneer rights to seven Carolco films, including the sequel to the blockbuster Terminator.

In June, Pioneer, a US subsidiary, purchased about 10 per cent of Carolco and acquired worldwide laser disc rights to Carolco's films for \$60m.

A Pioneer official would not disclose the cost of the current agreement. It gives Pioneer all rights to current and future films including theatre, video, cassette and laser disc distribution and cable broadcast in Japan.

Gas businesses slip as oil price rises and yen falls

By Emiko Terazono in Tokyo

TWO LEADING Japanese gas companies saw sharp downturns in the first half due to rising oil prices and the yen's depreciation against the dollar.

Tokyo Gas saw pre-tax profits plummet 67.9 per cent to ¥3.1bn on sales of ¥321.9bn (\$2.5bn), up 2.3 per cent. Osaka Gas saw pre-tax profits fall to ¥6.4bn, a drop of 29.5 per cent, on sales of ¥255.6bn, up 3.1 per cent.

The two companies, announcing unconsolidated results for the six months ending September, reported moderate sales gains reflecting buoyant industrial demand. But because of the warm winter, household gas consumption was sluggish.

Tokyo Gas expects the rise in costs of materials, such as liquefied gas, to depress profits for the second half. For the full year, the utility forecasts a sales increase of 4.5 per cent to ¥739bn, with profits declining 36.6 per cent to ¥32bn.

The company said it had no immediate plans to increase gas prices in spite of the plunge in profits.

Osaka Gas forecasts an annual sales increase of 4.6 per cent to ¥585bn, and a pre-tax profit fall of 29.4 per cent to ¥30bn.

extra demand during the hot weather.

Pre-tax profit rose 15.9 per cent in the six months, to ¥65.45bn from ¥56.49bn a year earlier.

Both companies said the higher oil prices resulting from the Gulf crisis had little effect on earnings, but that second-half earnings would show some impact.

Tokyo Electric said per-share profit rose to ¥27.61 from ¥25.55 a year earlier. It planned to pay an unchanged ¥25-a-share dividend.

Kansai Electric's per-share profit rose to ¥34.31 from ¥22.17 a year earlier.

It also planned to pay an unchanged dividend of ¥25 a share.

Electricity companies' net profit climbs in first half

By Emiko Terazono in Tokyo

FIRST-HALF net profits at Japan's two largest electric companies have risen, AP-JJ reports from Tokyo.

Tokyo Electric Power, the world's largest private electric company, said that first-half unconsolidated net profit rose 10.2 per cent to ¥36.98bn (\$289m) from ¥33.54bn a year earlier.

However, pre-tax profits fell 4 per cent to ¥75.16bn in the period from ¥78.35bn a year earlier.

Japan's second largest electric company, the Osaka-based Kansai Electric Power Co, said net profit rose 56 per cent as the hot, dry summer forced it to rely less on hydropower and charge a premium for the extra fuel it burned to meet

extra demand during the hot weather.

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Sale of Datastream called off

By Alan Friedman in New York

DUN & BRADSTREET, the leading business information group, has taken its Datastream and Interactive Data subsidiaries off the auction block after failing to attract enough interest or offers from prospective buyers.

The announcement by Dun & Bradstreet - which attributed the decision to "current conditions in financial markets worldwide" - is the latest illustration of how US recession, the slump on Wall Street and the worldwide credit crunch are affecting the business information industry.

Datastream, which is based in London, provides online investment information, research and portfolio accounting services on international securities. Interactive Data,

based in Massachusetts, provides securities-related information, software and systems to the US investment community. The two had combined 1989 revenues of \$155m. Profits are not disclosed.

The decision to sell the subsidiaries was first taken last March. Datastream had originally been acquired by Dun & Bradstreet in 1984 for \$102m. Interactive Data was purchased by D & B in 1986 for \$140m.

Dun & Bradstreet's third-quarter 1990 net income fell by 10 per cent to \$139.7m. The company said that both Datastream and Interactive Data are profitable, with the former having reported a substantial gain in third-quarter revenues and Interactive Data suffering

a downturn because of the termination of certain services to Interactive's former owner - Chase Manhattan.

Dun & Bradstreet, which had 1989 revenues of \$4.3bn, said earlier this year it would attempt to also sell other subsidiaries including Petroleum Information, Neodata Services, Zytron, Donnelley Marketing and the Communications division of IMS International.

To date, Zytron, Neodata and Petroleum Information have been sold. Dun & Bradstreet says it is in discussions with potential buyers of Donnelley Marketing and the IMS division.

On Wall Street, Dun & Bradstreet's share price was marked 1/2 lower yesterday morning, to \$41.

New fund to invest in eastern Europe

By Stephen Fidler, Euromarkets Correspondent

A NEW fund to invest in eastern Europe was launched yesterday, aiming to raise up to \$50m from international institutions.

The East Europe Development Fund will have a regional scope and aims to emphasise its ability to make direct investments in companies before, for example, a stock market flotation. It is expected

to be fully invested within two years, at which point it may be listed on a stock exchange, possibly in east Europe.

It is being managed by Invesco MIM Britannia and sponsored by Daiwa Europe and City Merchants Investment Management, an Invesco MIM subsidiary.


The adviser is Central Europe Asset Management

(CEAM), in which Invesco MIM has a controlling stake.

Mr Roy Bracher, managing director of CEAM, said the fund expected most of its investments would be in Poland, Hungary and Czechoslovakia, although it was looking at possible investment in Slovenia, Yugoslavia.

It may also consider the Soviet Union.

This announcement appears as a matter of record only November, 1990



Kronos International, Inc.

DM 1,600,000,000
Term Loan

Arranged by
Bayerische Hypotheken- und Wechsel-Bank AG
Banque Paribas

Underwritten by

Arab Banking Corporation	The Bank of Nova Scotia
Bank of Scotland	Banque Paribas
Christiania Bank og Kreditkasse	The Fuji Bank, Limited
Hypobank International S.A.	National Westminster Bank Plc
Union Bank of Switzerland	

Provided by

Algemene Bank Nederland (Deutschland) AG	Arab Banking Corporation
Arab Banking Corporation - Daus & Co. GmbH	Bahrain Middle East Bank (E.C.)
Bank Hapoalim B.M.	Bank of Montreal
The Bank of Nova Scotia	Bank of Scotland
Banque et Caisse d'Epargne de l'Etat, Luxembourg	Banque Indosuez, Houston Agency
Banque Internationale à Luxembourg S.A.	Banque Paribas
Banque Paribas (Deutschland) oHG, Düsseldorf Branch	Berliner Bank Aktiengesellschaft
Christiania Bank og Kreditkasse	The Chuo Trust & Banking Co., Ltd.
Crédit du Nord, New York Branch	The Fuji Bank, Limited
Hypobank International S.A.	IBJ Schroder Bank & Trust Company, New York
Mitsui Leasing (Netherlands) B.V.	National Westminster Bank Plc
Nomura Bank International plc.	Schröder Münchmeyer Hengst & Co., Düsseldorf Branch
Skopbank International S.A.	Swiss Bank Corporation
Union Bank of Switzerland	Westfaltenbank International S.A., Luxembourg

Agent
HYPOBANK INTERNATIONAL
Société Anonyme - Succursale Agence
Luxembourg

Co-Agent
BANQUE PARIBAS

ABN AMRO Holding N.V.


has made a successful Share Exchange Offer for

Algemene Bank Nederland N.V.

and

Amsterdam-Rotterdam Bank N.V.

We acted as financial advisor to Algemene Bank Nederland N.V. and Amsterdam-Rotterdam Bank N.V. in this transaction.



Goldman Sachs International Limited

August, 1990

FT LAW REPORTS

Officers' severance pay claim fails

TACOMA CITY
Court of Appeal (Lord Justice Dillon, Lord Justice Ralph Gibson and Lord Justice Leggatt):
November 14 1990

SEVERANCE PAY under National Maritime Board terms incorporated into a crew agreement, is payable to a ship's officer only after two years' continuous employment by the ship-owning company or by companies associated with it, not by common management, but through control by shareholding. But if severance pay is due, it is not "wages" giving rise to a lien on the ship with priority over mortgages, in that it is not part of the value of current service but is paid in respect of past service.

The Court of Appeal so held when dismissing an appeal by 20 plaintiffs in an action *in rem* against Tacoma City, Barclays Merchant Bank Ltd intervening as mortgagee. The shipowner, Reardon Smith Navigation Co Ltd (RSN) took no part in the proceedings.

LORD JUSTICE RALPH GIBSON said the claims arose out of the collapse in 1985 of the Reardon Smith Line and its subsidiary companies. The plaintiffs were all officers who served aboard Tacoma City. The shipowner, RSN, was one of the companies in the group. The Reardon Smith group of companies announced at the end of May 1985 that they were ceasing to trade. The bank as mortgagee issued a writ *in rem* against Tacoma City on June 4 1985, and she was arrested. Leave was given to the bank to pay off the master, officers, and crew, and the ship was ordered to be sold. The master and officers were paid their wages by the bank. The ship was sold for \$1.54m. The Court declared the mortgage to be valid and gave judgment to the bank for \$1.1m.

The plaintiffs claimed severance pay totalling \$119,662. If they were entitled to maritime liens in respect of severance payment, each would recover in full in priority to the bank. If the plaintiffs did not have maritime liens, the bank would take the whole of the proceeds of sale and the plaintiffs would recover nothing.

Mr Justice Sheen dismissed the claims. The plaintiffs now appealed. In 1917 the National Maritime Board, a representative body, was set up to secure co-operation between employers and employees of the British Merchant Marine. The established service agreement currently in force was the 1973 agreement. An NMB redundancy payments agreement replaced the statutory scheme instituted by the Redundancy Payments Act 1965. After the dramatic decline of the British fleet in the late 1970s inadequacies in the NMB scheme became apparent. Unions and employers negotiated an NMB "Company Severance Payments Agreement" for masters, officers and cadets. It was incorporated into company service contracts.

It was expected by the parties to the collective agreement that shipowners would continue to employ officers and seamen on separate crew agreements on each voyage. That was what happened between the plaintiffs and the Reardon Smith group.

Clauses 1 and 3 of the Companies Severance Payment Agreement provided for severance payments to masters, officers and cadets who "became surplus to the requirements of the shipping company... that employs them" and who had a "minimum of two completed years of company service with that company". Clause 7 provided that for the purposes of the agreement "service with a company includes service with any associated company".

The crew agreement on which the plaintiffs relied began at Cardiff on October 22 1984. It incorporated the NMB agreements, including that on Company Severance Payments. The main issue was whether the plaintiffs had proved a right to severance payment.

The first question was to what "shipping company" did the Severance Payment Agreement refer in "surplus to the requirements of the shipping company" and "company service".

In the Severance Payment Agreement as incorporated in the crew agreement, "the shipping company" must be a reference to the owner, RSN, as "the shipping company that employs" the officers.

It followed that the right to severance payment arose on an officer's becoming "surplus to the requirements of" RSN. That right was conditional on his having a minimum of two completed years of "company service with that company".

As to the meaning of "company service", the question was whether their claims would have constituted "wages" so as to give rise to maritime liens on a ship.

Mr Justice Sheen concluded that claims to severance payments did not qualify as "wages". Miss Bucknall argued that any sum was "wages" giving rise to a maritime lien if promised to be paid in consideration of service in a ship.

That could not be accepted. If, for example, payment of a pension on retirement age was promised by a shipowner by terms incorporated in crew agreement to be taken as a lump sum or by future periodic payments, that lump sum or the value of the pension or even the sums which fell due at time of termination of employment, though consideration for services, would not fall within "wages".

All the additions to wages, payable under special contracts, "which the master can be fairly said to have earned by his services" (per Chief Justice Wray in *The Arosa Star* [1959] Lloyd's Rep 395, 403) which had been accepted as giving rise to liens, had been claims which could be regarded as the value of the current service in the ship. Pension, as contrasted with contributions towards pension fund, was not part of the agreed value of the current service but was reward for past service. A pension, or a medical severance payment, or a redundancy payment were not part of the seafarer's current service, but were paid in respect of earlier service.

Severance payments under the NMB agreement were outside the concept of "wages" and provided no basis for maritime liens.

The appeals were dismissed. Appeals in respect of claims to wages in lieu of notice were also dismissed, on the ground that the relevant agreements were for voyages of stated duration without express or implied term as to notice for earlier termination.

Lord Justice Dillon and Lord Justice Leggatt gave concurring judgments.

For the plaintiffs: *Belinda Bucknall QC* (Ingleton Brown Bannister & Garrett).

For the bank: *Timothy Brenton* (Norton Rose).

Rachel Davies
Barrister

In fact, Citicorp's last credit card-backed Eurobond had a rough ride, widening 20 basis points from its launch spread of 98 basis points above the comparable US Treasury. The five-year deal was among the victims of a dramatic flight to quality in the wake of the Gulf crisis, as fears of recession loomed. However, spreads have recently improved, and that issue is now trading at about 94 basis points off.

Citicorp achieved a level of just under 60 per cent of primary placement of its global issues outside the US in 1990. Citicorp has now completed its funding programme for this year, having launched 11 transactions totalling just inside \$9.5bn of debt in 1990, about \$2bn more than last year.

The new group, Corporation Borealis, will be capitalised initially at \$60m. Hispano will take 30 per cent and two other Spanish shareholders with close links to the bank, Ferrovial construction group and Abengoa holding company, will each own 10 per cent.

Rockerfeller & Co will take 30 per cent, with Dillon, Read and Travelers Corporation, the big US insurer, taking 10 per cent. The remaining 10 per cent will go to SIFCORP, a Saudi-based investment bank.

Borealis plans to make "strategic investments in quoted and unquoted Spanish and Portuguese companies".

Correction
Obligentia Finance
Obligentia Finance of Sweden is the part of the Obligentia group that has been put into receivership not Obligentia Finance of the UK, as wrongly reported on November 22.

Spanish bank links up with US partners
By Peter Bruce
in Madrid

BANCO Hispano Americano, one of Spain's largest commercial banks, has formed an investment group in Madrid with two US partners, Rockerfeller & Co and Dillon, Read.

The new group, Corporation Borealis, will be capitalised initially at \$60m. Hispano will take 30 per cent and two other Spanish shareholders with close links to the bank, Ferrovial construction group and Abengoa holding company, will each own 10 per cent.

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Citicorp unit to change structure of securitisation

By Tracy Corrigan

CITICORP Credit Services, the US bank's credit card arm, plans to change the structure of its securitisation programme to allow a more flexible approach to borrowing.

The Citicorp unit has already issued \$16.4bn of credit card-backed bonds since the start of its securitisation programme two years ago, and plans to launch a further \$6bn to \$8bn of asset-backed debt in 1991.

Securitisation allows issuers to remove assets from the balance sheet by repackaging receivables and selling them as bonds.

The shift in Citicorp's pattern of issuance reflects widespread concern that bond markets are likely to be less receptive to big benchmark issues in the coming year, perhaps precipitating a partial reversal of the trend among many leading borrowers over the past few years to issue in large size, sometimes globally.

Citicorp is setting up a "master trust", a large and homogeneous pool of receivables ready to securitise. Previously, a separate pool had to be created for each new issue.

"The master trust will allow us to tap issues on according to the level of demand," says Mr Charles Walhouse, vice-president at Citicorp Credit Services. It will allow Citicorp to be more opportunistic, by speeding up the issuing process, and should permit fungible issues.

About \$7bn of receivables will be placed in the master trust initially, with more to be added as the credit card business grows further.

Instead of having a claim on a particular set of receivables, investors will now be able to claim a portion of the cash flow of the whole pool.

The same types of excess servicing and credit enhancement will be used, so the bonds will still have a Triple-A credit rating.

Citicorp also plans to diversify by tapping non-dollar markets such as the Euro bond market, if accounting and regulatory hurdles can be overcome.

But Citicorp is not turning its back on the concept of global issuance. "We are still global fans," insists Mr Walhouse, who says the structure has allowed the company to broaden distribution substantially during its two years as an issuer.

He says that Citicorp will still rely principally on its global programme in 1991, but accepts that this is a "distinctly poor time for the dollar".

Citicorp's last credit card-backed Eurobond had a rough ride, widening 20 basis points from its launch spread of 98 basis points above the comparable US Treasury. The five-year deal was among the victims of a dramatic flight to quality in the wake of the Gulf crisis, as fears of recession loomed. However, spreads have recently improved, and that issue is now trading at about 94 basis points off.

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INTERNATIONAL CAPITAL MARKETS

Treasuries fluctuate as retail demand peters out

By Patrick Harverston in New York and Deborah Hargreaves in London

US GOVERNMENT bonds traded in a narrow range yesterday, fluctuating between minor gains and losses. The market had opened lower in the wake of selling on overseas markets, but rallied mid-morning on steady buying by individual investors before dropping to end marginally weaker as retail demand petered out.

Treasury issues at the long end had fallen overnight on foreign markets because of renewed concern about the Gulf crisis. However, the strength of sentiment in the US market - where the focus has switched for the time being from the Middle East to the weak state of the US economy - allowed the long bond to stage a modest rally.

At the close the benchmark 30-year Treasury bond was down just 1/4 at 103 1/4, yielding 8.431 per cent. At the short end the two-year issue was virtually unchanged at 100 1/4, carrying a yield of 7.549 per cent.

Federal funds traded up early on, moving from just above the Federal Reserve's target rate of 7 1/2 per cent at the opening to 7 3/4 per cent. The Fed responded to the rise

with more overnight repurchase agreements, which eventually helped push Fed funds down to 7 1/2 per cent.

GILT-EDGED securities added six ticks in price in the immediate aftermath of Mr John Major's victory in the Tory party leadership contest. But traders did not expect the market's reaction to be as dramatic. Prices have seen a four-point rise since Mrs Margaret Thatcher announced her decision to resign last week and much of the political news is now factored into gilt prices.

Earlier in the day, the market was held back by a wave of profit-taking that followed the strong performance over the weekend of day traders. Futures prices were pushed down from a strong opening level of 87.16 to a low of 87.04 at one point, but recovered later to 87.09. In the cash market, the benchmark bonds maturing in 2003/07 closed at 105 1/4 up about 1/4 of a point on the day.

Gilt traders are now asking themselves when there will be a cut in base interest rates. Mr Major was the favoured candidate in the city since his economic policies offer some continuity.

This looks like adding up to a rate of 3 per cent for German inflation for the full year, which is better than some projections had showed.

Import prices for October showed a jump of 1.3 per cent, but this was almost wholly attributable to the rise in the oil price and analysts saw the underlying figure as a positive one.

The rally in German bonds at the beginning of this week is now expected to run out of steam as rising oil prices dominate investors' minds and traders are not looking for much more upward movement this week.

In the cash market, the 9 per cent 10-year Bund was marked down by 2 pence to 101.11 still offering a yield of 8.53 per cent.

Foreign stockbrokers have responded favourably to the Stock Exchange of Singapore's (SES) offer of 100 per cent membership of the exchange, Reuters reports from Singapore.

SES executive vice-president Mr Koh Kah Wing said: "We are looking at a changing state of affairs. But response so far has been good, based on the number of foreign brokerages who have indicated a firm interest."

He said the SES has set up a special committee of five members, including the chairman Mr Edwin Barker, to decide the price of the seat and parties to be admitted.

BENCHMARK GOVERNMENT BONDS									
	Coupon	Yield	Price	Change	Yield	Week	Month	Year	Year
UK GILTS									
2.000	02/92	103.24	-0.02	11.33	11.27	11.73			
5.000	03/90	102.18	-0.02	10.89	10.89	11.40			
10.000	03/88	101.26	-0.02	10.51	10.51	10.94			
US TREASURY									
2.000	11/90	101.15	-0.02	8.27	8.23	8.64			
5.000	11/88	100.14	-0.02	8.45	8.46	8.78			
JAPAN	No 179	4.000	99.98	+0.04	7.41	7.67	7.82		
No 129	6.000	99.98	+0.01	7.13	7.26	7.61			
GERMANY	10.000	10.000	101.000	-0.150	8.83	8.83	8.97		
FRANCE	10.000	11.000	101.733	+0.038	10.12	10.13	10.18		
ITALY	10.000	10.000	101.000	-0.040	10.08	10.11	10.28		
CANADA	10.000	09/91	100.000	-0.100	10.51	10.54	11.09		
NETHERLANDS	10.000	11.000	101.000	-0.080	8.08	8.09	8.19		
AUSTRALIA	10.000	07/90	104.078	+0.228	12.28	12.28	13.41		
SPAIN	10.000	08/90	100.000	-	9.74	9.89	9.90		

London closing. *Denotes New York closing session. Prices US \$100 in \$100s, others in dollars. Yields: Local market standard. (Financial Times Data Service)

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EDF - A FORCE IN THE FIELD OF FINANCE

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UK COMPANY NEWS

All-round progress lifts Allied-Lyons to £286m

By Philip Rawstorne

ALLIED-LYONS, the drinks, food and retailing group, yesterday reported a 10 per cent rise in interim pre-tax profits as the first contributions flowed in from the £530m acquisition of Whitbread's spirits division and the £195m purchase of the US Dunkin' Donuts chain.

Pre-tax profits for the six months to September 15 rose from £260m to £286m. The result was within the range of City forecasts but an increase in tax charge to 30 per cent, with the prospect of a further rise next year, affected market sentiment. Shares fell by 17p to 461p.

Earnings per share for the first half rose 3.6 per cent from 22p to 22.8p. An increase in the interim dividend of 11 per cent to 6.27p (£5.65p) is proposed. Group turnover rose from £2.4m to £2.5m, and trading profits advanced from £319m

to £373m. Profits from wines and spirits increased by 24.5 per cent to £173m (£139m), and from beer and retailing by 10 per cent to £140m (£127m). Profits on the food business went up by 32.6 per cent to £57m (£43m).

Sir Derrick Holden-Brown, chairman, said that all divisions displayed strong trading performances and increased margins.

James Burroughs, the former Whitbread spirits business, and Dunkin' Donuts had fully met expectations and would make a more important contribution in the second half.

In the wines and spirits division, both Ballantine's and Teacher's whiskeys increased market share, Courvoisier enjoyed substantial growth, and Kahua and Tia Maria liqueurs increased sales.

In beer and retailing, Allied

Breweries achieved significant growth in sales volume and market share with Castlemead XXXX, Lowenbrau and Tetley bitter. The people agreement with Greenall Whitley would bring benefits from January, and in a full year would add 500,000 barrels to Allied's production.

Although pressure on consumer spending caused some trading down from branded catering chains to lower cost pub meals, the trend benefited the group's 85 Big Steak outlets.

After the sale of Embassy hotels and other disposals, and the purchase of a 4 per cent stake in the company by Suntory, the Japanese drinks company, the ratio of debt to shareholder assets fell from 78 per cent to 72 per cent. Sir Derrick said: "It will fall further by the end of the year."

See Lex

Argyll beats analysts' forecast with 21% advance to £143m

By Maggie Urry

ARGYLL, the Safeway, Presto and Lo-Cost food retail group, confirmed the trend of supermarket group's results, with a 21 per cent rise in pre-tax profits to £143.1m in the 26 weeks to October 13. The profit figure beat analysts' best expectations, but the shares were unchanged at 245p.

The gain came on sales up 16 per cent to £2,470m, including VAT. Operating profits were up 29 per cent to £134.9m, and the margin on sales excluding VAT rose to 5.5 per cent (5.2 per cent).

Mr Alistair Grant, chairman, said he was "confident of a pleasing outcome for the year." The group had now completed the three-year phase during which many of the Presto stores had been converted to the Safeway format, following the takeover of Safeway in 1987, he said. The last conversion was completed in August. This also meant that the half-year profits contained no exceptional items, compared with a £6.8m debit a year ago.

Safeway's sales rose by 28 per cent, of which 19 percentage points came from new store openings and conversions. The other 9 percentage points from comparable stores included volume growth of 1 per cent.

Operating profits from Safeway were up 48 per cent to £102.5m as its margins rose from 5.2 per cent to 6 per cent. Mr Grant said that the Safeway chain was now a more stable and much larger business. This allowed it to concentrate over the next three years on improving its infrastructure, such as electronic point of sale scanning in the shops.

It was "moving into a more competitive stance" on prices, Mr Grant said, although this did not mean a price war was breaking out. Safeway also aims to improve service levels in the stores and the own label products on offer.

The group was aiming for 15 per cent sales growth each year, with margin improvements coming from efficient-



Alistair Grant: a more competitive stance on prices

cies, a better product mix and an improved product offer.

From other activities, sales fell by 9 per cent to £370.8m and profits by 6 per cent to £31.4m because of the shift in some Presto stores into Safeway. This trend should also end now as the conversions finished, Argyll said. Lo-Cost sales were up 15 per cent on a comparable basis and the remaining Presto stores saw like-for-like sales gains in line with inflation.

The group's balance sheet still has a low level of gearing, although this is expected to rise to 20 per cent by the year end as the capital expenditure programme reaches £255m in the current year.

The group was spending about £30m during the year buying fresh foods of some of its

stores, which was costing money in the short term but was a "good investment."

Interest receivable of £8.2m (£13.5m) included £2.6m of dividends from Ahold and Casino, the two continental European food retail groups with which Argyll has arranged cross shareholdings, and there was a £1.8m (£1.4m) provision against possible supplemental interest on its convertible Eurobond. Interest capitalised was £5.5m (£5.1m). Profits included other income, largely property profits, of £1m (£2.1m).

Earnings per share were up 15 per cent on a 30 per cent tax charge to 10.6p, a slower rate of growth than in profits because of the issue of shares to Ahold and Casino. The dividend is also 16 per cent up at 2.55p. See Lex

BOARD MEETINGS

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Every day, one abbreviation
makes sense of the rest.

No FT... no comment.

UK COMPANY NEWS

Some light on size of PPI offshoot

By David Birchard in Istanbul

QUESTIONS about the size of Meyna, the Turkish-based fruit and vegetable subsidiary of Polly Peck International, received a partial answer yesterday when Mr Richard Stone, of Coopers & Lybrand Deloitte, described the company as "a big ongoing business."

Mr Stone, one of three administrators appointed by a London High Court to handle the affairs of Polly Peck, said that Meyna had an annual turnover of around £200m.

"It seems to be a business that operates extensively across the country," Mr Stone said, adding that he believed that up to 70 per cent of its activities might be concentrated in the Turkish domestic foodstuffs market rather than exports.

Meyna is regarded by several stockbrokers' analysts in the City as one of the principal contributors to the group's overall pre-tax profits of £161m last year. Estimates of its earnings have ranged between £50m and £90m. However, until now the

company's activities have been shrouded in secrecy because of a news blackout imposed by Polly Peck in the autumn.

Mr Stone said that he did not know the reason for the news blackout and that as he was an administrator for the Polly Peck group rather than for Meyna itself, he was not able to order it to be lifted.

"We have not got into all the detail of the accounts yet," Mr Stone said. "It is now a question of number crunching." He added that it was too early to form judgments.

He said that figures from the Mersey-based Mediterranean Exporters' Union showing that Meyna exported only around £4.5m of produce last year might be explained by earnings from exports to the Middle East and exports on credit through other companies, though he declined to name what other companies involved or say what he believed the group's overall export earnings to be.

The administrators are not at present

planning any disposal of Polly Peck subsidiaries, other than Russell Hobbs, the UK maker of small electrical appliances. "Nothing is for sale," said Mr Stone.

He said that Mr Asil Nadir, the Polly Peck chairman, had provided promised support for the administrators' efforts to remove a court injunction in northern Cyprus which denies them access to Sunwest, the group's fruit export company on the island, describing progress on this front as slow but sure.

His findings will be put to an informal committee of the group's 60-odd bank creditors on December 12.

Meanwhile Polly Peck officials in Istanbul said that Mr Nadir's return from Cyprus was imminent. Mr Nadir has spent only a few hours in the Turkish business capital since the group was placed in the hands of the administrators last month, and has been in Cyprus since November 15.

Cattle's to raise £18.2m in rights issue

By Clare Pearson

CATTLE'S (Holdings) announced yesterday an £18.2m rights issue partly to finance the £11m acquisition of Compass Credit, a fellow consumer credit company, from Standard Chartered, the banking and financial services group.

The rights issue, Cattle's first for more than 10 years, is being made on an 11-for-30 basis at a price of 50p per share. Yesterday the shares closed at 55p, down 7p.

The company is paying 28m in cash for Compass, which has also declared dividends in favour of Standard Chartered totalling £2m.

Cattle's says there will be significant benefits from putting together Compass with

Shopacheck, its existing core subsidiary involved in weekly collected credit.

It made £1.78m pre-tax profit on £45.9m sales last year, but Cattle's believes this substantially understates its profit potential.

Mr Roy Wandby, chairman, said the acquisition was expected to add about £2.5m to £3m to operating profits next year, although it would not enhance earnings per share until 1992.

Compass, makes personal cash loans but is also involved in the issue of "shopping checks", credit documents which customers can exchange for goods and services at various shops. It has about 120,000 customer-households,

as against Shopacheck's 200,000.

Cattle's said it expected to make a final dividend payment of not less than 2.3p for the current year, making a total payment of 3.8p (3.575p).

The company described progress so far this year as satisfactory, although Mr Wandby said the imposition of the poll tax had adversely affected demand. In the first half, it made pre-tax profits of £3.71m (£3.39m) on £98.6m (£88.8m) sales.

After the deal the enlarged group will have borrowings of about £90m. It makes loans at rates substantially higher than bank lending rates and hence is particularly sensitive to cuts in interest rates.

Mr Wandby said the effect of the recent one percentage point cut in interest rates following the UK's European Exchange Rate Mechanism entry would produce an immediate improvement in its profitability of about £500,000 on an annualised basis.

Compass, which was established in Sheffield 30 years ago, was acquired as part of Hodge Group, a finance house bought by Standard Chartered in 1972 and later renamed Charter Trust.

After the acquisition, Mr Eddie Cran and Mr Graham Dunn, two directors of Compass, are to join Cattle's board. The rights issue and acquisition are conditional upon one another.

Christie £1.5m in loss and passes interim

By Andrew Hill

A decline in the sale of businesses drove Christie Group, the specialist business agency, into the red in the half year ended September 30.

It lost £1.5m before tax and has passed its interim dividend. In the equivalent period of 1989 it made a profit of £608,000 and finished with £1.21m for the 1989-90 year.

There was an interim and final dividend each of 1.4p. For the current term the dividend position would be reviewed at the year-end.

Mr David Rugg, managing director, said yesterday that the group had "hit a pause" in business during July and August, particularly in its agency activities and related mortgage operations, but since then business had stabilised.

Turnover during the first half declined from £12.4m to £9.58m; earnings of 1.57p per share were transformed into an interim loss of 4.84p. The company said it had managed to cut costs but had maintained its spending on marketing in an attempt to increase market share.

Mr Rugg said: "Clearly we have made economies in areas such as property overheads and in training and support personnel, but we have retained all of the capacity in our [agency] network."

BS wins approval for Scott's merger but battle could go on

By Richard Gourlay

BS GROUP, the Bristol-based stadium and property company, yesterday gained approval for its merger with Scott's, the London-based restaurant chain, after an acrimonious battle with minority shareholders which highlighted gaping flaws in the art of property valuation.

The BS four-for-one offer, which was approved at an extraordinary general meeting yesterday, could give the family of Mr Isadore Kerman, chairman of both BS and Scott's, control of BS.

The deal values Scott's at £7.15m but minority BS shareholders who commissioned an independent valuation of Scott's London restaurants said this grossly overvalued

the restaurants. The minorities' valuation placed a value of only £2.5m on the properties compared with a £6.4m figure produced by chartered surveyors appointed by Singer and Friedlander, the BS financial advisers.

The Royal Institute of Chartered Surveyors confirmed both valuations were made on the same basis and admitted it was embarrassed that two of its member firms had arrived at such wildly different views.

Yesterday a group of minority shareholders vowed to fight on. "The RICS has a lot to answer for," said Mr Geoffrey Hamilton-Fairley, managing director of Abington Management, a private investment company. "For the sake of the

valuation profession the RICS can not leave this discrepancy at that."

The merger gives the Kerman family 39.9 per cent of BS voting stock. Scott's, which Kerman interests control, owns a further 268,041, or 5 per cent, of BS shares.

Last week the Takeover Panel dismissed an appeal by Abington to refer a valuation of the assets in Scott's Restaurant to the RICS.

The Panel said BS shareholders had been supplied with documents complying with general principle four of the Takeover Code which says shareholders should have enough information to enable them to reach an informed decision.

The BS merger with Scott's is not the first time that controversy has surrounded Mr Kerman's ownership of BS shares. In 1989, the Kerman interests in BS rose above 30 per cent, the level at which the Takeover Code would normally require a full offer to be made.

The Stock Exchange allowed BS shareholders to approve conversion of some of the Kerman interest into non-voting shares. As a result the family now also owns non-voting shares which it can convert into voting shares simply by notifying BS.

Sheafbank operating profits rise

Sheafbank Property Trust, property development and investment group, reported pre-tax profits down from £843,027 to £500,891, after a transfer of £330,692 to a non-distributable reserve, in the year to March 31. Operating profits increased from £804,860 to £940,692.

Mr Jack Gradel, chairman, said the property investments of UK Estates had progressed well. Sheafbank's investment

of over 50 per cent in Schlesinger Investments Corporation, an investment and financial services group, will be making a positive return in the form of dividends in the year commencing April 1991. Tax took £19,901 (£29,261) and earnings per 10p ordinary share came out at 2.45p (4.65p) basic, and 2.41p (4.5p) fully diluted. The proposed final dividend is 0.55p (same) for a maintained total of 0.75p.

Claudio Boada, Chairman, Banco Hispano-Americano
Walter Seipp, Chairman, Commerzbank
Jean-Yves Haberer, Chairman, Credit Lyonnais
Antonio Zurzolo, Chairman, Banco di Roma



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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

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FT SURVEYS

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28th November 1990

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Clive Cookson and Peter Knight report on chlorofluorocarbon substitutes being introduced by the refrigeration and electronics industries

PK

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COMMODITIES AND AGRICULTURE

Tim Dickson and Nancy Dunne take a sceptical look at the US stance in Gatt talks EC reels from low blows in farm trade battle

IF THE Uruguay Round talks are to be a success, the EC's two top negotiators, Mr. Tim Dickson and Mrs. Nancy Dunne, must be able to fly with such a volley of propaganda punches in the last few months that the European Community has been left reeling on the ropes.

Mr. Dickson and Mrs. Dunne are now forced to defend a position that seems timid and protectionist and is highly unpopular with all save a small but vociferous interest group.

However, as fears mount that the four-year process of international trade reform could end in failure, the US side has stepped up to the charge of fighting dirty.

Washington's extraordinary exercise in self-publicity has certainly had a disproportionate effect on opinion formers, but to some extent the lack of a clear EC response is to be blamed for this. More seriously, the EC's own stream of free trade rhetoric has put up a smoke-screen around some of the less high-minded motives for its attack on Brussels pol-



The EC's Ray MacSharry (left) is on the ropes, but Clayton Yeutter, for the US, faces charges of dirty fighting

icy, brushed aside important domestic differences and glossed over some significant difficulties that would be bound to result from a farm trade free-for-all.

For example, an important inspiration for the American stance in the Uruguay Round has been the determination of the powerful US grain lobby to regain lucrative world markets lost to the EC in the early and mid-1980s. The EC's dumping of its surpluses was certainly damaging and unfair but the Americans made their own contribution to that glut by operating a subsidy system (admittedly now refined) that

effectively protected its own farmers from low world market prices.

Meanwhile, those who disagree with the new conventional wisdom in Washington are variously dismissed as "fringe groups" and "dissidents" - labels that give the impression that their views are marginal and do not count.

In fact, US interest groups anxious about the potential impact of a Uruguay Round deal on something close to Mr. Yeutter's terms are numerous. They include producers of sugar, meat, dairy products,

peanuts and mohair, who are all protected through quotas. The National Farmers' Organisation, the American Agriculture Movement and family farmer organisations are all against the US Gatt stance, a fact that is often forgotten amid the din created by US agribusiness and the conservative US Farm Bureau (which claims more members than there are farmers, largely because it awards membership to everyone who buys its insurance).

At least the EC - for all its inadequacies - has tried to spell out the impact on different producer groups of its overall proposal for a 30 per cent cut in support. No such exercise appears to have been carried out in Washington - perhaps because its results might have contradicted the simple message of the US negotiators that a successful Uruguay Round deal would leave everyone better off.

That simply cannot be true for, say, American dairy farmers, who would be highly vulnerable both on price and quality to imported European cheeses after US border protection and EC export subsidies had been swept away.

point that has been taken up actively by US conservation groups and is at least acknowledged, if not seriously thought through, in discussion of farm policy reform in Brussels.

The other issue is Washington's apparent faith in the ability of governments to develop new rural aids not linked to production. The idea that "social" problems of the countryside can be resolved by "decoupling" subsidies in this way has been widely swallowed with little accompanying analysis.

There are indeed powerful vested interests lined up against any reallocation of support - but there is a large school of thought on both sides of the Atlantic that believes all subsidies keep "uncompetitive" farmers in business to grow another day.

Brussels bows to pro-hanging lobby for rabbits and game

By Tim Dickson in Brussels

PEERS OF the realm might well have been raising their glasses in a toast to the European Commission last night following the adoption by the European Community of a new directive that amounts to a reprieve for the ancient British tradition of hanging game.

The original measure on rabbit meat and farmed game was reported to have caused consternation in the English shires and on Scottish estates because of a draft clause specifically outlawing the sale of unviscerated rabbits and birds.

A distinctly blue-blooded lobbying campaign is understood to have been mounted to fight off what was seen as the latest European threat to a treasured British tradition. The hapless veterinarian who drew up the Commission proposal was bombarded with angry

telephone calls drawing his attention to the merits of hanging game animals, innards and all.

In the end, however, all has ended well and British arguments pointing to the microbiological and textural merits of keeping the innards in after slaughter have carried the day.

Yesterday's agreement only covers farmed, as opposed to wild, game but, as one UK farm representative pointed out, the victory establishes an important precedent for other battles ahead, notably concerning public health standards for Britain's special breed of Traditional Farm Fresh (TFF) or New York Dressed turkeys.

Directives were also passed yesterday on a system for fixing pesticide levels and on the disposal and processing of animal wastes. Despite objections from the Commission the

Council agreed a derogation allowing knackers' yards in Britain and Ireland to continue until 1992.

Mr. David Curry, Britain's junior farm minister, said that the British negotiators had done their best in the face of hostility from most other member states. And he insisted that a review that is now to be carried out could yet provide this national institution with a reprieve.

Meanwhile, Mr. Ray MacSharry, the EC's Agriculture Commissioner, said that he would be asking his commissioner colleagues to extend the current EC standstill on the milk boosting hormone bovine somatotropin (BST) until next August at least.

A group of EC veterinary experts meeting separately in Brussels yesterday put off giving an opinion on two BST products.

Tapioca price rises sharply

By Ronald van de Krol in Amsterdam

A TEMPORARY shortage of Thai tapioca has sent prices sharply higher on the European spot market in Rotterdam.

The spot price has risen steadily over the past couple of weeks to touch a high of DM34 (€11.60) per 100 kilograms yesterday, well up on the average price of DM28 and DM29 seen over the past few months.

Traders attributed the steep price rise to shortages of Thai tapioca, which are expected to

last until the end of December, and also to buoyant demand caused by a shortfall in European grain harvests, particularly maize, this summer.

Tapioca is sometimes used as a raw material substitute for maize. A new four-year Thailand-EC export agreement on tapioca shipments is due to take effect on January 1. Thailand normally borrows up to 750,000 tonnes from the new quota to ship at the end of the year, but the Thai borrowings have been

lighter than expected, creating shortages for the European feed industry.

"People who can't wait until the New Year or who aren't geared up to substitute another grain for tapioca are prepared to pay exorbitant prices to bridge this period," one trader said.

Traders said that although tapioca prices would probably fall back after January, the underlying trend would remain firm in the early part of 1991.

NZ gold mine starts producing this week

By Dal Hayward in Wellington

NEW ZEALAND'S newest, and largest, hard rock gold mine, Macraes, starts production this week, ahead of the December 1 official opening date.

Initially, Macraes will produce about 55,000 ounces of gold in its first year, with output subsequently rising to 50,000 a year.

The mine has an estimated gold deposit of 1.235m troy ounces, but there are indications that other gold deposits will be available in the area.

"The mine is located in an old gold rush area and has brought new prosperity to the town of Macraes Flat, where the population had dwindled to only 20."

The operation is expected to last at least ten years. For each ounce recovered, the mine has to process about 15 tonnes of ore, with an average yield of about 2.11 grammes of gold per tonne.

Missing prices

Early editions yesterday were without US prices and some London prices owing to a technical fault at Reuters.

Canberra gives Moscow farm export credits

By Kevin Brown in Sydney

THE SOVIET Union is likely to return to the market for Australian wool and wheat, and is also interested in purchasing mutton, butter and bauxite, Mr. John Kerin, the primary industries minister, who has been on a visit to Moscow, said yesterday.

In a statement issued in Australia, Mr. Kerin said that he had reached agreement with Moscow on A\$525m (€205m) worth of government-backed trade credits for the purchase of wool and wheat.

The minister, who was scheduled to travel from Moscow to Peking for a further round of trade talks with the Chinese government, said the agreement provided a basis for restarting wool exports to the Soviet Union, which was once the biggest buyer of Australian wool.

"The Soviet Union withdrew from the market in May after Novosibirsk, the import agency, said it was unable to pay for wool already shipped. Moscow has agreed to pay an outstanding debt of A\$94m before taking up the new line of credit."

Mr. Kerin said that he had "established the foundations for a major wheat contract," details of which should be finalised soon with the Australian Wheat Board, Australian

NEW ZEALAND wool exporters have failed to persuade the government to underwrite wool sales to the Soviet Union, writes Dal Hayward in Wellington.

Last year, Moscow bought NZ\$174m (€54m) worth of NZ wool but sales this year have stopped because of late payments by Soviet buyers. It is believed Moscow still owes NZ\$35m for wool shipped earlier this year. The New Zealand Dairy Board is owed about NZ\$115m.

A consortium of wool exporters asked the government to provide up to \$100m of credit for Soviet buyers. Mr. Philip Burdon, the trade minister, said such a move would have to be a last ditch operation.

"Credit guarantees are a last desperate option," he said. If guarantees were given, the Wool and Dairy Boards would have to carry their share of the risk.

The return of the Soviet Union to NZ wool sales would bring welcome relief to the hard-pressed wool industry and a lift in prices.

wheat sales have fallen from 3.1m tonnes, worth A\$500m, in 1985-86 to less than 200,000 tonnes this year.

A high level Soviet delegation is to visit Australia in the near future to discuss mutton purchases, but Mr. Kerin said butter sales would have to be negotiated jointly with the European Community and New Zealand because of the existence of previous trading agreements.

"In addition to wool, wheat and meat, the discussions also covered a major Australian/Soviet joint venture for the production of alumina (aluminium oxide) and the supply of Australian bauxite (aluminium ore), alumina and manganese. Negotiations in these areas were difficult, but I will be talking to Australian companies on my return," Mr. Kerin said.

farmers had been paid on average about 58 per cent less for sheep, 32.7 per cent less for vegetables, 19 per cent less for wool and 17 per cent less for wheat.

However, Mr. Kerin warned farmers to be "realistic" about market conditions.

"The world grain and butter markets are in oversupply, and prices are low. Sales of wool to the Soviet market should help kick-start depressed wool sales, but they will not remove the need for strong action to reduce Australia's excess supply. We must push on with those measures resolutely," he said.

The Government recently approved wool industry plans to impose quotas and slaughter up to 20m sheep to try to bring production into line with demand, which has been falling sharply in the last two years.

The Wool Council, which represents growers, said that a report calling for the abolition of the industry's minimum reserve price scheme was misleading and simplistic.

The report, commissioned by an independent group of wool growers, called for a free market in wool, and urged the Government to buy the industry's stockpile of 4.4m bales of unsold wool.

Bird society calls for greener farming

By David Blackwell

THE EC Common Agricultural Policy should be reformed in order to reward farmers for looking after the environment, according to a report from the Royal Society for the Protection of Birds, Europe's largest voluntary wildlife conservation organisation.

The RSPB is launching Agriculture and the Environment

Towards Integration in Brussels this morning and plans to put its ideas to farming organisations and governments throughout Europe.

The report outlines a series of policies under which farmers will not benefit from the CAP unless they are taking part in schemes designed to produce environmental bene-

fits. Mr. Jim Dixon, the RSPB agricultural policy officer, believes the proposals "offer decision makers a realistic way of reducing the budgetary burdens of the CAP. They give stability to farmers' incomes and make the CAP a positive force in the environment, not a destructive one."

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).
ANTIMONY: European free market, 99.5 per cent, \$ per tonne, in warehouse, 1,630-1,670 (same).
BISMUTH: European free market, 99.9 per cent, \$ per lb, in warehouse, 2,750-2,800 (same).
CADMIUM: European free market, 99.5 per cent, \$ per lb, in warehouse, 1,300-1,350 (1,310-1,370).
COBALT: European free market, 99.5 per cent, \$ per lb,

in warehouse, 12,200-12,600 (12,200-12,750).
MERCURY: European free market, 99.99 per cent, \$ per 75 lb flask, in warehouse, 165-175 (170-185).
MOLYBDENUM: European free market, drummed molybdenic oxide, \$ per lb, in warehouse, 2,500-2,600 (same).
SELENIUM: European free market, 99.5 per cent, \$ per lb, in warehouse, 4,800-5,400.
TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10

kg WO₃, cif, 37-49 (same).
VANADIUM: European free market, 98 per cent, \$ a lb V₂O₅, cif, 2,250-2,350 (same).
URANIUM: Nuexco exchange value, \$ per lb, U₃O₈, 11.45 (same).
LIME WAREHOUSE STOCKS (As at Monday's close) tonnes
Aluminium +3,000 to 312,675
Copper 280,770
Lead +175 to 43,950
Nickel -576 to 2,148
Zinc +25 to 50,475
Tin +645 to 12,725

WORLD COMMODITIES PRICES

COCOA - London POX				
	Close	Previous	High/Low	\$/tonne
Dec	688	688	705 687	
Mar	738	748	768 732	
May	768	774	794 764	
Jul	778	788	807 772	
Sep	788	815	825 794	
Dec	822	837	847 821	
Mar	848	861	870 858	
Turnover: 7688 (3715) lots of 10 tonnes				
ICCO indicator price (\$/tonne) (10 day average for Nov 26: 825.55 (824.15))				

COFFEE - London POX

	Close	Previous	High/Low	\$/tonne
Nov	625	630	625 633	
Jan	635	637	636 636	
Mar	638	638	638 638	
May	638	638	638 638	
Jul	638	638	638 638	
Sep	638	638	638 638	
Dec	638	638	638 638	
Turnover: 12574 (7169) lots of 5 tonnes				
ICCO indicator price (\$/tonne) (10 day average for Nov 26: 625.55 (624.15))				

POTATOES - LSE

	Close	Previous	High/Low	\$/tonne
Apr	140.5	143.5	143.5 140.0	
May	140.5	143.5	143.5 140.0	
Turnover: 271 (200) lots of 40 tonnes				

SOYABEANS - LSE

	Close	Previous	High/Low	\$/tonne
Feb	115.00	115.20	115.00 115.00	
Mar	115.00	115.20	115.00 115.00	
May	115.00	115.20	115.00 115.00	
Jul	115.00	115.20	115.00 115.00	
Sep	115.00	115.20	115.00 115.00	
Dec	115.00	115.20	115.00 115.00	
Turnover: 189 (59) lots of 30 tonnes				

PREMIUM FUTURES - LSE

	Close	Previous	High/Low	\$/tonne
Nov	1330	1335	1330 1330	
Dec	1335	1345	1340 1335	
Jan	1315	1315	1315 1325	
Apr	1285	1271	1270 1285	
Jul	1055	1045	1055 1055	
Sep	1140	1140	1140 1140	
Turnover: 158 (207)				

GRAPES - LSE

	Close	Previous	High/Low	\$/tonne
Jan	120.00	119.85	119.80 119.85	
Mar	120.00	120.35	120.35 120.35	
May	120.00	120.35	120.35 120.35	
Jul	120.00	120.35	120.35 120.35	
Sep	120.00	120.35	120.35 120.35	
Dec	120.00	120.35	120.35 120.35	
Turnover: 228 (22) Baryle 0 (0)				

MAIZE - LSE

	Close	Previous	High/Low	\$/tonne
Jan	27.0	27.0	27.0 27.0	
Apr	27.0	27.0	27.0 27.0	
Jul	27.0	27.0	27.0 27.0	
Sep	27.0	27.0	27.0 27.0	
Dec	27.0	27.0	27.0 27.0	
Turnover: 25 (77) lots of 3,200 kg				

LONDON METAL EXCHANGE				
	Close	Previous	High/Low	\$/tonne
Aluminium (99.7% purity) (\$ per tonne)				
Cash	1540.2	1540.2	1550/1540	1550.1
3 months	1575.6	1575.6	1585/1572	1584.6
Total daily turnover: 10,255 lots				
Copper, Grade A (\$ per tonne)				
Cash	127.7	127.7	128.4/1255	1285.3
3 months	127.7	127.7	128.4/1255	1285.3
Total daily turnover: 1,876 lots				
Lead (\$ per tonne)				
Cash	333.5	342.5-4.5	339/338	337.5-4.5
3 months	341.2	350.5-5	348/340	345.6
Total daily turnover: 1,020 lots				
Nickel (\$ per tonne)				
Cash	8175-225	8000-10	8270-800	8270-800
3 months	8200-25	7975-900	8100/7950	8025-50
Total daily turnover: 7,554 lots				
Tin (\$ per tonne)				
Cash	8205-45	8015-35	8055	8055-45
3 months	8250-40	8030-50	8000/8000	8055-30
Total daily turnover: 9,358 lots				
Zinc, Special High Grade (\$ per tonne)				
Cash	1287.4	1288	1287.5	1287.5
3 months	1289.0	1289.5	1289.5/1289	1289.5
Total daily turnover: 19,817 lots				
LME Closing 5/8 rate: 3 months: 1,9487 6 months: 1,9336 9 months: 1,9150				

NEW YORK

LONDON BULLION MARKET			
Gold (fine oz) \$ price	£ equivalent		
Close	384.4-385 1/4	184.4-185 1/4	
Opening	385-385 1/2	184 1/4-185 1/2	
Morning fix	384.25	184.881	
Afternoon fix	383.60	184.704	
Dec 2 high	385 1/2		
Day's low	382 1/2-383		
Coin	\$ price	£ equivalent	
Mapleleaf	385-388	189 1/2-202 1/2	
Swiss franc	385-388	189 1/2-202 1/2	
US Eagle	385-390	189 1/2-202 1/2	
Angel	385-390	189 1/2-202 1/2	
Kruggerand	383 1/2-389 1/2	184 1/4-195 1/4	
New Sov.	90 1/2-92 1/2	45 1/2-46 1/2	
Old Sov.	90 1/2-92 1/2	45 1/2-46 1/2	
Mobile Fiat	425.00-436.00	217.50-221.00	

New York			
GOLD 100 troy oz. \$/troy oz.			
	Close	Previous	High/Low
Nov	385.3	385.1	0 0
Dec	385.3	385.1	387.0 383.8
Jan	387.5	385.5	0 0
Feb	388.9	386.7	390.0 385.6
Apr	392.4	390.8	393.0 389.6
Jul	395.5	393.2	399.5 383.5
Aug	392.7	389.4	0 0
Oct	402.1	400.0	403.0 400.0
Dec	405.5	403.0	405.0 403.0

PLATINUM 50 troy oz. \$/troy oz.			
	Close	Previous	High/Low
Nov	420.0	424.0	0 0
Dec	420.0	424.0	425.5 419.0

11/11/1964

Serial
Picture



LEPPING FOREST, EAST London, areas. Quality homes, prestige locations 30 minutes city Canary Wharf, West End. Forest Bureau 081-520 3012.

Well presented 3rd floor flat with garage 2
recess kitchen, 3 beds, 2 baths Lift Por-
tor 87 /rs Park Lane Estates 071 629
0753

...
 Երեւանի մոտ 3 քաղ. 2 քաղ. բալկոնիք.
 Երեւանի մոտ. Երեւանի մոտ 071 723 0641.

to have a 4 bed house designed and constructed by Master Builder, with harbour views from 1st floor for around £200,000. Tel. 0202 732038

هكذا امرت - ٥٢

Slow session before Conservative vote

Over Fifteen Years									
96	Truck 12/24/2003-05	118.99	11.29	10.95					
97	Truck 12/24/2003-05	118.99	11.29	10.95					
98	Truck 12/24/2003-05	118.99	11.29	10.95					
99	Truck 12/24/2003-05	118.99	11.29	10.95					
00	Truck 12/24/2003-05	118.99	11.29	10.95					
01	Truck 12/24/2003-05	118.99	11.29	10.95					
02	Truck 12/24/2003-05	118.99	11.29	10.95					
03	Truck 12/24/2003-05	118.99	11.29	10.95					
04	Truck 12/24/2003-05	118.99	11.29	10.95					
05	Truck 12/24/2003-05	118.99	11.29	10.95					
06	Truck 12/24/2003-05	118.99	11.29	10.95					
07	Truck 12/24/2003-05	118.99	11.29	10.95					
08	Truck 12/24/2003-05	118.99	11.29	10.95					
09	Truck 12/24/2003-05	118.99	11.29	10.95					
10	Truck 12/24/2003-05	118.99	11.29	10.95					
11	Truck 12/24/2003-05	118.99	11.29	10.95					
12	Truck 12/24/2003-05	118.99	11.29	10.95					
13	Truck 12/24/2003-05	118.99	11.29	10.95					
14	Truck 12/24/2003-05	118.99	11.29	10.95					
15	Truck 12/24/2003-05	118.99	11.29	10.95					
16	Truck 12/24/2003-05	118.99	11.29	10.95					
17	Truck 12/24/2003-05	118.99	11.29	10.95					
18	Truck 12/24/2003-05	118.99	11.29	10.95					
19	Truck 12/24/2003-05	118.99	11.29	10.95					
20	Truck 12/24/2003-05	118.99	11.29	10.95					
21	Truck 12/24/2003-05	118.99	11.29	10.95					
22	Truck 12/24/2003-05	118.99	11.29	10.95					
23	Truck 12/24/2003-05	118.99	11.29	10.95					
24	Truck 12/24/2003-05	118.99	11.29	10.95					
25	Truck 12/24/2003-05	118.99	11.29	10.95					
26	Truck 12/24/2003-05	118.99	11.29	10.95					
27	Truck 12/24/2003-05	118.99	11.29	10.95					
28	Truck 12/24/2003-05	118.99	11.29	10.95					
29	Truck 12/24/2003-05	118.99	11.29	10.95					
30	Truck 12/24/2003-05	118.99	11.29	10.95					
31	Truck 12/24/2003-05	118.99	11.29	10.95					
32	Truck 12/24/2003-05	118.99	11.29	10.95					
33	Truck 12/24/2003-05	118.99	11.29	10.95					
34	Truck 12/24/2003-05	118.99	11.29	10.95					
35	Truck 12/24/2003-05	118.99	11.29	10.95					
36	Truck 12/24/2003-05	118.99	11.29	10.95					
37	Truck 12/24/2003-05	118.99	11.29	10.95					
38	Truck 12/24/2003-05	118.99	11.29	10.95					
39	Truck 12/24/2003-05	118.99	11.29	10.95					
40	Truck 12/24/2003-05	118.99	11.29	10.95					
41	Truck 12/24/2003-05	118.99	11.29	10.95					
42	Truck 12/24/2003-05	118.99	11.29	10.9					

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Continued on next page

FT MANAGED FUNDS SERVICE[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIN RECAUDAR)

CANADA (SEE READING)

GUERNSEY (UK RECOGNISED)

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE INSURANCES

Allstate Ind Assurance (Mermaid) Ltd		
	Excess reserve at	Valuation Day US\$2,000,000
Commonwealth (C)	36,100	6,429
Dollar Ind Assurance (C)	1,000	1,000
European (E)	11,000	1,000
European Equity (E)	1,299	1,000
Global (G)	1,000	1,000
Gold (G)	1,000	1,000
International (I)	1,000	1,000
International 1 Equity (E)	11,145	11,726
International 2 Equity (E)	110,759	87,720
International 3 Equity (E)	110,759	87,720
N. American Equity (E)	11,145	11,726
Pacific (P)	11,145	11,726
Pacific Equity (E)	11,145	11,726
Star-2 (S)	1,000	1,000
Star-3 (S)	1,000	1,000
Star-4 (S)	1,000	1,000
Starling (S)	1,000	1,000
Starling First Fund (F)	1,000	1,000
UK Equity (E)	1,000	1,000
UK Property (P)	1,000	1,000
World Growth (G)	1,000	1,000

Abney National (AU)	370.4	+0.2
Actaerial	378.8	+0.2
Agricultural	617.2	+0.7

Participation (A)	593.0	+0.6
Participation (B)	581.0	+0.6
Participation (C)	581.0	+0.6
Participation (D)	581.0	+0.6
Participation (E)	581.0	+0.6
Participation (F)	581.0	+0.6
Participation (G)	581.0	+0.6
Participation (H)	581.0	+0.6
Participation (I)	581.0	+0.6
Participation (J)	581.0	+0.6
Participation (K)	581.0	+0.6
Participation (L)	581.0	+0.6
Participation (M)	581.0	+0.6
Participation (N)	581.0	+0.6
Participation (O)	581.0	+0.6
Participation (P)	581.0	+0.6
Participation (Q)	581.0	+0.6
Participation (R)	581.0	+0.6
Participation (S)	581.0	+0.6
Participation (T)	581.0	+0.6
Participation (U)	581.0	+0.6
Participation (V)	581.0	+0.6
Participation (W)	581.0	+0.6
Participation (X)	581.0	+0.6
Participation (Y)	581.0	+0.6
Participation (Z)	581.0	+0.6

Income & Growth.....	210.8	221.8	4.4
Int'l. Growth	95.9	100.9	5.3
Japan and General.....	191.3	201.3	5.0

Receivers	150.3	167.4	-11.3
Computer Companies	147.5	167.1	-19.6
Managed	140.5	147.1	-6.6
Scandinavian Maritime Fund	98.8	95.0	-3.8
Emerg. Emerging Gwth	122.7	130.0	-7.3
British Growth	122.5	129.7	-7.2
European Growth	119.5	124.7	-5.2
European Set Gops	119.0	124.7	-5.7
European Tech	81.0	85.0	-4.0
Extra Income	222.0	234.6	-12.6
Preferred	222.0	234.6	-12.6
Preferred Mktg	104.2	109.5	-5.3
Global Int. & Gwth	106.0	111.5	-5.5
Global Income	105.0	110.0	-5.0
Hong Kong	102.0	106.0	-4.0
India	102.0	106.0	-4.0
Intl Fund Interest	115.0	120.0	-5.0
Intl Resources	71.4	74.0	-2.6
Japan	122.0	128.3	-6.3
Pacific Growth	221.0	227.0	-6.0
Pacific Income	221.0	227.0	-6.0
UK Small Companies	163.2	171.0	-7.8
Worldwide Growth	99.3	104.0	-4.7
Worldwide Income	99.3	104.0	-4.7
One Storm Asia Dollar	40.7	46.0	-5.3

International Fund	271.3	283.5	-1.9
Gilt Fund	240.2	252.8	-0.1
Money Fund	178.4	187.7
Money Center F.	22.2	22.3	22.3

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North American Acc.	67.6	103.0	20.1
Pacific Acc.	138.5	146.1	-1.0
Technology Acc.	125.8	132.8	-7.0
Maximal Difference Acc.	89.7	94.7	-5.0

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Index Linked Sec Fund	64.4	67.8	...
Deposit Fund	77.1	82.2	...
NUAM (MF)			

Merrill Lynch Life Insurance Fund			
Equity Funds	1,857.9	1,942.7	+5.1
International Fund	132.5	139.5	+5.3
Foreign Bond Fund	1,725.4	1,803.2	+4.5
Fixed Income Fund	406.5	422.7	+4.0
Life Linked Sav. Fund	92.1	95.4	+3.6
Deposit Fund	184.8	209.2	+13.2
Mutual Shares Life Insurance Fund			
Merrill Lynch Life Insurance Fund		940.3	922.2
Seafirst Life Insurance Fund			
With Profit P.F.	100.60	112.21	+11.61
Equity Fund	87.92	87.89	-0.03
UK Ord Share P.F.	87.92	92.58	+4.66
UK Govt Bond P.F.	87.92	87.92	0.00
European P.F.	87.92	87.21	-0.71
North American P.F.	87.92	77.07	-10.85
Fixed Income P.F.	87.92	87.92	0.00
Property P.F.	87.92	104.96	+17.04
Life Linked P.F.	87.92	87.92	0.00
Life Bond P.F.	87.92	92.92	+5.00
Deposit P.F.	107.28	112.42	+5.14
Seafirst Life Insurance Fund			
With Profit P.F.	1,411.80	1,484.42	+52.62
Equity Fund	1,411.80	1,411.80	0.00
UK Equity P.F.	1,444.30	1,550.00	+105.70

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well presented 3rd floor flat with garage, 2
 bedrooms, kitchen, 3 baths, 2 balconies, Lift, Por-
 gch. 0400 p.m. Tel: 01 723 0044

presented flat 3 bed, 2 bath, balconies
 gch. 0400 p.m. Tel: 01 723 0044

to have a 4 bed house
 designed and constructed by Master
 Builder, with harbour views from 3rd floor,
 for around £200,000. Tel. 0202 733028

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FOREIGN EXCHANGES

Dollar falls on economic fears

THE DOLLAR fell yesterday on growing worries that the US economy might already be in recession. It was not helped by speculative reports that a US insurance company was in difficulty. Sterling was little changed as dealers awaited the result of the Conservative party leadership contest, while the yen was weak in reaction to firm oil prices.

The pressure on the US unit began in London following reports that the Soviet Bank for Foreign Economic Affairs had sold around \$200m for D-Marks. But there were also some technical factors connected with the decline. Chart analysts said that the dollar had hit an important resistance point at DM1.4900-50.

Towards the European close, the dollar began to fall quickly as speculation moved round the market that the Equitable Life Assurance Society, of the US, was planning to file for Chapter 11 bankruptcy protection. This was quickly and strongly denied by the company, but the dollar remained depressed.

Reports that the US economy is slowing down kept the dollar weak. The National Association of Business Economists said the economy is already in a recession. Further signs of a slowdown came from the Con-

ference Board's consumer confidence index, which is close to the low point struck during the trough of the 1982 recession.

The dollar closed lower at DM1.4900 from DM1.4920; at SF1.2590 from SF1.2670; and at FF4.9925 from FF5.0300. The Bank of England's dollar index was down 0.2 at 60.0.

Sterling was more subdued as dealers waited for the outcome of the Conservative party leadership ballot. The fall in the dollar boosted the pound against the US unit but depressed it slightly against the D-Mark.

The resolution of the leadership contest is expected to give sterling a boost, many analysts said. There have already been signs that some European investors have moved back into sterling. The prospect of a reduction in interest rates before Christmas has so far

had little effect on the currency markets. "The ending of political uncertainty has had a bigger impact than worries over a cut in rates," one senior currency dealer said.

Sterling ended firmer at \$1.9750 from \$1.9555; and at ¥253.30 from ¥253.00. But it weakened to DM2.9225 from DM2.9325; to SF2.4875 from SF2.4900; and to FF5.9500 from FF5.9850. Its index finished unchanged at 94.5.

In New York the pound staged a further improvement to \$1.9810 following the news that Mr John Major, the UK chancellor of the exchequer, will become prime minister.

The yen was lower as crude oil prices held on to most of the gains of the previous session. Tension in the Gulf and the possibility of military conflict in the new year weighed on sentiment. The D-Mark rose 60 points to ¥86.90.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	Rate	% Change
Spanish Peseta	100	133.631	-0.04
Italian Lira	1,000	2,366.27	-0.01
French Franc	100	6.55958	-0.01
German Mark	100	1.93633	-0.01
British Pound	100	1.97500	+0.01
Swiss Franc	100	2.00000	-0.01
Belgian Franc	100	36.3636	-0.01
Dutch Guilder	100	2.20371	-0.01
Austrian Schilling	100	13.7603	-0.01
Portuguese Escudo	100	200.482	-0.01
Irish Punt	100	7.87564	-0.01
Spanish Peseta	100	133.631	-0.04
Italian Lira	1,000	2,366.27	-0.01
French Franc	100	6.55958	-0.01
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Portuguese Escudo	100	200.482	-0.01
Irish Punt	100	7.87564	-0.01

STERLING INDEX

Index	Value	% Change
1000	1000.00	0.00
1000	1000.00	0.00
1000	1000.00	0.00
1000	1000.00	0.00
1000	1000.00	0.00
1000	1000.00	0.00
1000	1000.00	0.00
1000	1000.00	0.00
1000	1000.00	0.00
1000	1000.00	0.00

CURRENCY MOVEMENTS

Currency	Change
US Dollar	-0.01
British Pound	+0.01
German Mark	-0.01
French Franc	-0.01
Swiss Franc	-0.01
Belgian Franc	-0.01
Dutch Guilder	-0.01
Austrian Schilling	-0.01
Portuguese Escudo	-0.01
Irish Punt	-0.01

CURRENCY RATES

Currency	Rate	% Change
US Dollar	1.97500	+0.01
British Pound	1.97500	+0.01
German Mark	1.93633	-0.01
French Franc	6.55958	-0.01
Swiss Franc	2.00000	-0.01
Belgian Franc	36.3636	-0.01
Dutch Guilder	2.20371	-0.01
Austrian Schilling	13.7603	-0.01
Portuguese Escudo	200.482	-0.01
Irish Punt	7.87564	-0.01

OTHER CURRENCIES

Currency	Rate	% Change
US Dollar	1.97500	+0.01
British Pound	1.97500	+0.01
German Mark	1.93633	-0.01
French Franc	6.55958	-0.01
Swiss Franc	2.00000	-0.01
Belgian Franc	36.3636	-0.01
Dutch Guilder	2.20371	-0.01
Austrian Schilling	13.7603	-0.01
Portuguese Escudo	200.482	-0.01
Irish Punt	7.87564	-0.01

EXCHANGE CROSS RATES

Currency	Rate	% Change
US Dollar	1.97500	+0.01
British Pound	1.97500	+0.01
German Mark	1.93633	-0.01
French Franc	6.55958	-0.01
Swiss Franc	2.00000	-0.01
Belgian Franc	36.3636	-0.01
Dutch Guilder	2.20371	-0.01
Austrian Schilling	13.7603	-0.01
Portuguese Escudo	200.482	-0.01
Irish Punt	7.87564	-0.01

FT LONDON INTERBANK FIXING

Currency	Rate	% Change
US Dollar	1.97500	+0.01
British Pound	1.97500	+0.01
German Mark	1.93633	-0.01
French Franc	6.55958	-0.01
Swiss Franc	2.00000	-0.01
Belgian Franc	36.3636	-0.01
Dutch Guilder	2.20371	-0.01
Austrian Schilling	13.7603	-0.01
Portuguese Escudo	200.482	-0.01
Irish Punt	7.87564	-0.01

MONEY RATES

Currency	Rate	% Change
US Dollar	1.97500	+0.01
British Pound	1.97500	+0.01
German Mark	1.93633	-0.01
French Franc	6.55958	-0.01
Swiss Franc	2.00000	-0.01
Belgian Franc	36.3636	-0.01
Dutch Guilder	2.20371	-0.01
Austrian Schilling	13.7603	-0.01
Portuguese Escudo	200.482	-0.01
Irish Punt	7.87564	-0.01

LONDON MONEY RATES

Currency	Rate	% Change
US Dollar	1.97500	+0.01
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French Franc	6.55958	-0.01
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Belgian Franc	36.3636	-0.01
Dutch Guilder	2.20371	-0.01
Austrian Schilling	13.7603	-0.01
Portuguese Escudo	200.482	-0.01
Irish Punt	7.87564	-0.01

FT LONDON INTERBANK FIXING

Currency	Rate	% Change
US Dollar	1.97500	+0.01
British Pound	1.97500	+0.01
German Mark	1.93633	-0.01
French Franc	6.55958	-0.01
Swiss Franc	2.00000	-0.01
Belgian Franc	36.3636	-0.01
Dutch Guilder	2.20371	-0.01
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Continued on Page 22

فصل دوم - ۱۱

NYSE COMPOSITE PRICES

Stock	High	Low	Open	Close	Change
AT&T	72 1/4	71 3/4	71 3/4	71 3/4	-1/4
IBM	165 1/4	164 1/4	164 1/4	164 1/4	-1/4
GE	40 1/4	39 3/4	39 3/4	39 3/4	-1/4
Merck	50 1/4	49 3/4	49 3/4	49 3/4	-1/4
Johnson & Johnson	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Amgen	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Boeing	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
McDonald's	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Wendy's	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Arby's	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Jack-in-the-Box	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Sonic Drive-Ins	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
7-Eleven	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Circle K	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Wawa	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Sheetz	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Quick Stop	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Casey's	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Wendy's	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Arby's	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Jack-in-the-Box	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Sonic Drive-Ins	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
7-Eleven	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Circle K	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Wawa	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Sheetz	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Quick Stop	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Casey's	100 1/4	99 3/4	99 3/4	99 3/4	-1/4

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Sheetz	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Quick Stop	100 1/4	99 3/4	99 3/4	99 3/4	-1/4
Casey's	100 1/4	99 3/4	99 3/4	99 3/4	-1/4

NASDAQ NATIONAL MARKET

3pm prices November 27

Stock	High	Low	Open	Close	Change
AT&T	72 1/4	71 3/4	71 3/4	71 3/4	-1/4
IBM	165 1/4	164 1/4	164 1/4	164 1/4	-1/4
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Casey's	100 1/4	99 3/4	99 3/4	99 3/4	-1/4

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AMERICA**Equities modestly higher after subdued trading****Wall Street**

A SUBDUED day's trading ended with share prices modestly higher yesterday as dealers and investors looked for, and failed to find, a lead from fresh political or economic news, writes Patrick Harrington in New York.

At the close the Dow Jones Industrial Average was up 10.64 to 2,643.81 after New York SE turnover of 147.6m shares. Advancing issues outpaced falls by 949 to 569. The Standard & Poor's 500 put on 1.60 to 318.11, while the American SE composite rebounded from an early loss to finish a net 1.03 ahead at 297.00.

The main economic data of the day which showed that consumer confidence fell further in November and the merchandise trade deficit widened to \$29.75bn in the third quarter - were in line with expectations and had little effect on the market. The absence of any sizeable movements in crude oil prices also left trading without direction. January crude finished down nine cents at \$32.86 a barrel.

Among individual issues, MCA was again the most heavily traded. Strong pressure

on the demand side pushed the share price up 1/4 to \$65 1/2 on turnover of almost 2m. On Monday Matsushita, the Japanese electronics group, revealed that it would pay \$8.1bn in cash for MCA, which owns the Universal Pictures film studio in Hollywood.

Waste Management was also high on the list of most active issues after one of the group's units won a 17-year contract to construct and run a chemical waste facility for the government of Hong Kong. After initially moving up, investors poked profits as the buying petered out, leaving Waste Management down 5/8 on the day at \$31 1/4 after volume of 1.4m shares.

Systems software manufacturer Novell rose \$2 1/2 to \$20 as more than 800,000 shares changed hands following a recommendation from an analyst at Shearson Lehman, the securities house. The analyst said that Novell's strong position in the personal computer local area network market should help the company maintain steady growth during the recession.

Elsewhere in the technology sector, Dell Computer moved ahead after the company reported a rise in third quarter

revenues from \$95.5m in 1989 to \$136.7m. Then profit-taking took hold and the shares closed off 3/4 on balance at \$13 after heavy trading.

American Stores put in an impressive performance, rising 3 1/2 to \$48 in the wake of an improvement in third quarter profits. Furon, the rubber and plastics manufacturer which is due to release third quarter results today, saw its shares lose 1/4 to \$14 1/4 after an analyst moved the stock off its buy recommendation list and reduced his earnings estimate for 1991 and 1992.

Canada

TORONTO spent another quiet session moving within a narrow range before closing with a small gain. The composite index was finally up 12.4 to 3,140.0 as advances led declines by 291 to 200. Volume amounted to 19.1m shares, against Monday's 18.0m.

Gold advanced for the third consecutive day, registering a 1.31 per cent index gain in spite of a slight easing in the world bullion price. Overall, 10 world bullion groups ended higher, including banks, real estate and construction.

Shopping for pleasure on the Paris bourse

Champagne prospects may be flat, writes William Dawkins, but luxuries still appeal

SOME OF the fizz went out of prospects for France's champagne producers this week, but investors are still encouraged to take a look at the Paris stock market's exclusive band of luxury goods and cosmetics groups.

The sector - which embraces companies such as LVMH in luxury baggage, cognac, champagne and perfume; L'Oréal in cosmetics; and Yves Saint Laurent in fashion - looks undervalued, according to DLF James Capel's latest equity review.

Champagne forms a small proportion of LVMH's profits, and observers say that the producers' problems - crop shortages, higher costs and the prospect of increased product prices - are unlikely to affect long-term prospects.

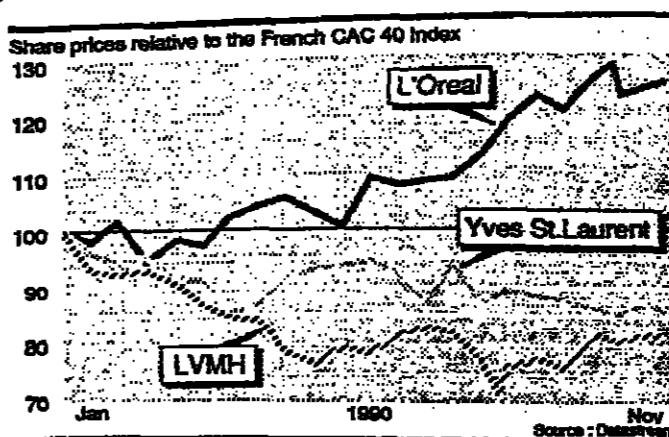
Meanwhile, the sector as a whole might seem expensive at first, on a prospective price/earnings ratio of 12.4 last week compared with the 10.4 more over, it is tiny, representing only 6.4 per cent of the total market capitalisation. But the

sector has more than its share of the special situations which tend to attract and hold investors' attention.

Share prices of French luxury goods producers took a knock earlier in the year from the yen's weakness against the franc. This raised fears that companies such as LVMH would lose sales in the important Japanese market, in spite of the fact that they hedge against exchange shifts. Now the market is beginning to realise that such fears were overdone, says Mr David Harrington of Capel's Paris office.

Interest, therefore, is beginning to revive. LVMH has outperformed the CAC 40 index by more than 5 per cent in the past six months, picking up recently on good third quarter results; it stands at a p/e of 11.3. Financing costs are down, although it is uncertain how luxury goods markets will perform in the current quarter, which accounts for 30 per cent of LVMH's sales.

The prospects of Rémy & Associés, the cognac distributor, inspire Bacot-Allain, the



French brokers owned by S.G. Warburg. Rémy has underperformed by more than 8 per cent over the past year, but this may not do justice to the benefits expected from its indirect tie-up with Highland Distillers.

Bacot-Allain also likes Clarins, a small skin care products group, which has outperformed the index by 10 per cent over the past year and has good sales prospects. L'Oréal, the

world's largest cosmetics group, which sells Lancôme perfumes, has done even better, with a 23.6 per cent outperformance over the same period, although Bacot-Allain considers it to be a defensive stock.

For something with a bit more speculative flair, Capel is attracted by Yves Saint Laurent (YSL), the fashion designer, which saw its share price rise 17 per cent from FF771 in late September to

FF902 on November 9. This was partly on rumours that Carat, the French holding company of Mr Carlo De Benedetti, the Italian financier, was seeking a buyer for its 14.8 per cent stake, although YSL's progress in reducing its debts has also pleased the market, says Mr Harrington. YSL's share price closed at FF815 yesterday.

The festive seasonal eating habits of French consumers - irrespective of more serious investment criteria - inspire a couple of frivolous suggestions from Capel. There is La Héritière, a quoted banking subsidiary of Suez, which has a controlling stake in Robert Laffont, France's main supplier of foie gras and smoked salmon; and Nord-Est, the quoted holding company (controlled by Paris) which owns Spégl, a high quality food company in the same business.

The feeling is that it would take more than the prospect of war in the Gulf, global recession and a French government crisis to spoil the French public's appetite for large amounts of foie gras in December.

ASIA PACIFIC**Nikkei declines on rising crude price and weak yen****Tokyo**

STOCKS drifted yesterday, affected by rising crude oil prices and a weaker yen. Once again the market was led by futures, which responded to reports of the possible approval by the UN Security Council of the use of force against Iraq, writes Emiko Terazono in Tokyo.

The Nikkei average opened at the day's high of 23,737.14, and closed 139.35 down at 23,623.51 after reaching a low of 23,533.44. Volume remained very thin with 250m shares changing hands. Dealers refraining from large-scale trades on the last trading day of November.

Falls outnumbered rises by 611 to 314, with 170 issues unchanged. The Topix index of all first section stocks declined 12.75 to 1,734.20 and, in London, the ISE Nikkei 50 index shed 4.41 to 1,303.02.

Expiring margin contracts on business traded in May and June continued to haunt the market. About 2.5bn shares, mainly large-capital stocks and shipbuilders, traded on margin are expected to expire on Friday. Nippon Steel, the most traded stock on Monday, was again the leading active and lost Y3 to Y386. Mitsui Shipbuilding eased Y4 to Y488.

Fears of an imminent war in the Gulf depressed Chiyoda Corp, an engineering company with contracts to build industrial plants in the region. The issue fell Y50 to Y1,600 as the prolonged situation in the Gulf was expected to depress the company's earnings prospects.

Rising oil prices caused Tokyo Electric Power to fall Y100 to Y3,250. The stock was also depressed by a decline in first-half earnings. Pioneer Electronic continued to surge, gaining Y170 to Y3,850 after a Y350 rise on Monday. The issue became a constituent of the Nikkei average on Monday, replacing Mitsubishi Mining & Cement.

While some participants see the inclusion in the index as a buying incentive, others believe that its upturn is limited. Mr Ian Marklew at Barclays de Zoete Wedd said that the buying was overdone. "There is no justification for Pioneer surging just on the inclusion," he said.

Investors responded favourably to the terms of Matsushita's acquisition of the US film studio, MCA, announced on Monday night. Matsushita rose Y20 to Y1,840 in an otherwise weak electricals sector.

Many speculative issues fell on the news that Mr Mitsuhiro Kotani, leader of the Koshin stock speculator group, had admitted in court that he had manipulated the share price of Fujita Tourist. Honshu Paper lost Y100 to Y2,120. Iseki Y30 to Y900 and Fukusuke Y290 to Y2,790.

Most retailers were weak on fears of slackening personal consumption, indicated by sluggish October department store sales. Mitsuokoshi, a leading department store, slipped Y10 to Y1,240. On the other hand, Maru gained for the third consecutive trading day. While warm weather is stunting sales of winter clothing, the issue's low price and stable income from credit card sales have been attracting investors.

In Osaka, high-technology and large-capital issues lost ground. The OSE average shed 74.99 to 26,577.01 on volume of 42.3m shares, against 42.2m.

Roundup

MANY Pacific Rim markets fell yesterday, weighed down by disappointing company news and fears of war in the Gulf.

AUSTRALIA declined for the fourth day in a row. The All Ordinaries index lost 5.1 to 1,350.3. Turnover fell to A\$151m from A\$163m. Coles Myer, the country's biggest retailer, eased 2 cents to A\$6.28 after its chairman told the annual meeting that operating conditions would remain difficult.

until the middle of 1991.

NEW ZEALAND retreated after Air New Zealand announced that profit fell 40.7 per cent in the first half and passed the interim dividend. The stock slipped 3 cents to NZ\$1.07. Investors, which owns 35 per cent of the airline, lost 5 cents to NZ\$1.14.

Robert Jones Investments fell 3 cents to 47 cents after asking shareholders to cancel an interim dividend and forego future dividends. The Barclays index fell 26.09 to 1,278.02 in turnover of NZ\$8.8m.

TAIWAN fell 4.3 per cent in a continued correction after its recent climb. The weighted index lost 65.54 to 4,388.32 and volume fell to T\$97.7bn from T\$93.7bn.

MANILA was disappointed by the lack of progress at an offshore oil well in the southern Philippines. The composite index weakened 23.58 to 610.62 and turnover contracted to P\$7.7m from P\$8.8m.

In SINGAPORE trading resumed in UIC after the company said it was increasing its stake in the property concern. Marina Centre Holdings, UIC slipped to S\$1.29 from its pre-suspension price of S\$1.32. The Straits Times Industrial index eased 2.93 to 1,118.29 in turnover of S\$56m, against S\$52m.

KUALA LUMPUR saw Malaysian Airline System drop 17 cents to M\$1.88 on a first-half fall in operating profits. The composite index lost 3.08 to 658.42.

HONG KONG came off the day's lows on rumours of a merger between China Light & Power and Hong Kong Electric. The Hang Seng index closed 3.42 up at 2,998.94. Turnover eased to HK\$579m from HK\$591m.

BOMBAY fell sharply after Prime Minister Chandra Shekhar contradicted his oil minister and ruled out overturning the previous government's 25 per cent increase in petroleum product prices. The BSE index dropped 61.51, or 4.6 per cent, to 1,284.33.

EUROPE**Oil stocks buck weakening continental trend**

MOST BOURSES continued to fall in quiet trading yesterday. The oil sector was one of the few areas to attract buyers as the Gulf crisis continued to weigh on investors' minds, writes Our Markets Staff.

FRANKFURT ended with the DAX index another 27.29 lower at 1,415.26, for a three-day fall of 80.84, or 5.4 per cent. The FAZ index was 9.05 down at 622.72, and volume stayed sluggish at DM4.3bn, against Monday's DM3.7bn.

Ms Heidi Maria Höppner, of Metzler in Frankfurt, noted that Germany had maintained a strong downward trend in spite of the DAX Street recovery overnight and the mild downward drift in Tokyo. "Maybe it's because we have too many players, and not enough investors," she said.

Blue chips led the way down. Strike threats in the steel industry were blamed for another DM7 drop to DM206 in Hoesch. On the contrary, Metzler took the view that steel was in recession, needed to cut production, and that a strike would do just as well as short-time working for that purpose.

The big three chemicals were given a rest. After hours, however, the pendulum of opinion swung again, with analysts saying that the trio, after all, might be forced to cut their dividends for 1990.

The volatility of the 30 shares in the DAX index, driven by both directions in the past four months by traders desperate for short-term profits, has encouraged investors and analysts to look at low-volume stocks, said Ms Höppner. WMF, the cutlery and kitchen appliance manufacturer traded mainly in the Stuttgart market, rose DM35 to DM640.

MILAN continued to drop. In addition to the problems of the slow passage of stock market reforms and an aversion to the way a new capital gains tax will be collected, investors were concerned that the current malaise might lead to

bankruptcies among the smaller Milan brokers.

There were also fears that the coalition government could fall after Italy's presidency of the European Community runs out at the end of the year. The Comit index fell 10.95 or 2.1 per cent to 500.77, a year's low.

A slowdown in the economy weighed on prices. One London-based broker pointed to a letter from the International Monetary Fund, published in Italian papers late last week, which criticised Italy for not taking advantage of the economic growth and low oil prices in the 1980s to correct its budget deficit.

Among individual stocks, Montedison dropped L115 or 8.6 per cent to L1,223 and Enimont fell L38 to L1,480.

PARIS again managed to hang on above the 1,600 level on the CAC 40 index, but trading was uninspired. The index ended 1.32 down at 1,605.92, recovering from a day's low of 1,593.13 but falling from the

high of 1,613.26.

Oil stocks continued to rise, with BP France up FF4 or 4.4 per cent at FF94, but the selling of the media sector, triggered last week by worries over WPP of the UK, seemed to have dried up.

Nouvelles Galeries, the retailer, advanced again on expectations of further stakeholding by Proventus of Sweden, gaining FF38 or 5.2 per cent to FF769 in thin trading. L'Oréal fell FF14.90 to FF485.10 on profit-taking after its recent outperformance.

AGF, the insurer, was active after a block trade; the stock closed FF2 lower at FF917 with 108,053 shares exchanged.

Figures released this week by Europerformance and Micropal, two private French research companies, show that French equity mutual funds are facing some of the worst year-end results since the Socialists took power in 1981, with an average fall this year of 16 per cent.

MADRID achieved a small gain, with the general index rising 0.54 to 228.05. Electricity companies were supported in active trading by the previous day's news that Endesa would increase its dividend. Endesa itself added Ptas50 to Ptas2945 with 114,546 shares changing hands. Repsol, the oil company, added Ptas10 to Ptas 2,055.

AMSTERDAM ended steady after an uneventful session. The CBS Tendency index ended unchanged at 948. Royal Dutch rose F1.10 to F132.40 on the back of firm oil prices.

OSLO edged higher, with the all-share index adding 1.19 to 461.59 in turnover of Nkr577m. The industrial sector, which includes oil-related stocks, outpaced the overall market.

STOCKHOLM fell for the seventh day in a row. The Affärsvärlden General index slipped 6.6 to 815.6, a low for the year. Trading focused on leading stocks, with Ericsson and Astra accounting for about 30 per cent of the volume of

SKR188m. Ericsson B lost SKr5 to SKR183 and Astra shed SKR15 to SKR70.

BRUSSELS was dominated by trade in Petrofina. The oil company eased BFr75 to BFr10,225 and accounted for one quarter of the market's thin volume of BFr24m. The cash market index fell 29.79 to 5,045.52.

Utilities were fairly active before the listing next week of the new utility, Electrabel, created from the merger of Belgium's three utility companies. FN, the arms manufacturer, lost part of Monday's gains on renewed doubts about a rescue package for the ailing company. FN preferred stock eased BFr4 to BFr124.

ISTANBUL dropped another 7.5 per cent, after losing 5.6 per cent on Monday. The index fell 265.95 to 3,277.18, a seven-month low, as turnover picked up from a light TL26.4m to TL54.7m. ATHENS' general index declined by 27.27 or 2.1 per cent to 855.18.

Alliance & Leicester

has acquired

Girobank plc

Morgan Guaranty assisted in the negotiations and acted as financial advisor to Alliance & Leicester in this transaction

JPMorgan**JPMorgan**

FT-ACTUARIES WORLD INDICES
Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY NOVEMBER 27 1990									MONDAY NOVEMBER 26 1990									DOLLAR INDEX		
	Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)				
Australia (76)		123.69	+0.1	92.85	100.31	95.18	107.03	-0.3	7.28	123.63	93.25	100.81	95.90	107.39	158.31	118.98	144.45				
Austria (19)		197.27	-0.5	148.09	159.99	151.79	152.04	-0.9	1.90	198.20	149.51	161.31	153.75	153.49	285.63	178.57	147.51				
Belgium (61)		137.53	+0.5	103.24	111.53	108.62	103.61	-0.5	5.99	136.63	103.23	111.37	108.15	104.12	160.00	126.67	147.06				
Canada (120)		125.02	-0.1	93.85	101.38	95.19	105.33	+0.2	3.81	125.09	94.36	101.80	97.02	105.07	211.81	126.67	147.06				
Denmark (33)		245.74	+0.3	184.48	199.30	189.09	189.84	-0.3	1.98	245.03	184.83	189.42	190.06	190.37	272.62	234.05	229.90				
Finland (20)		104.35	+0.8	78.34	84.54	80.30	77.89	+0.5	3.02	103.72	78.09	84.25	80.30	77.53	127.29	98.91	120.14				
France (122)		139.32	+0.8	108.39	112.98	107.19	109.11	+0.0	3.81	139.24	104.26	112.48	107.20	109.06	168.85	134.98	133.93				
Germany (91)		116.53	-0.6	87.77	94.84	89.97	89.97	-1.4	2.53	117.64	88.74	95.75	91.25	91.25	101.38	101.38	116.53				
Hong Kong (48)		121.50	-0.2	91.51	96.86	93.80	121.93	-0.1	5.43	122.09	92.09	99.36	94.71	122.10	147.49	112.24	136.64				
Ireland (17)		153.92	+0.6	116.47	124.73	118.36	120.18	-0.1	4.36	152.91	115.35	124.45	118.61	120.94	198.57	149.04	163.57				
Italy (91)		75.41	-1.8	57.38	61.96	57.38	63.31	-2.6	3.89	77.78	58.67	63.30	60.33	65.02	109.26	76.41	92.16				
Japan (454)		129.32	-0.4	97.08	104.88	99.52	104.88	-0.8	0.81	129.08	97.57	105.71	100.76	105.71	167.29	128.58	144.45				
Malaysia (35)		191.88	-0.8	144.04	156.81	147.64	158.27	-0.5	3.40	193.01	145.59	157.08	148.71	159.41	250.89	182.96	204.23				
Mexico (12)		688.41	+0.7	428.69	437.36	428.69	437.36	+0.7	0.38	684.72	425.98	436.60	438.05	438.05	588.41	324.53	286.28				
Netherlands (41)		134.71	+1.1	101.12	105.26	105.65	102.64	+0.4	5.24	133.19	100.47	108.39	103.31	102.28	148.03	127.96	131.24				
New Zealand (16)		48.36	-2.4	36.30	38.22	37.21	41.99	-2.3	8.00	48.57	37.39	40.34	38.45	42.97	47.50	67.87	74.00				
Norway (27)		217.35	+1.0	163.18	178.28	167.24	170.59	+0.4	1.81	215.20	162.33	175.15	166.94	169.86	276.26	182.96	204.23				
Singapore (25)		155.85	-0.1	117.00	126.40	116.82	122.64	-0.1	3.60	155.97	117.63	126.94	122.80	122.80	208.24	147.24	163.95				
South Africa (50)		127.27	-0.3	93.70	100.71	93.70	100.71	-0.7	4.18	127.88	93.01	100.71	93.01	93.01	251.39	159.01	169.11				
Spain (42)		145.59	+1.0	108.29	118.09	112.02	103.57	+0.3	5.35	144.11	108.70	117.29	111.78	103.28	162.25	126.54	157.81				
Sweden (27)		153.11	-0.1	114.84	124.18	117.82	125.74	-1.4	3.23	154.69	116.68	125.89	119.99	127.49	153.11	114.84	124.18				
Switzerland (68)		87.70	+0.7	65.94	71.13	67.40	68.45	+0.5	6.71	87.12	65.71	70.91	67.59	68.49	103.77	85.00	94.04				
United Kingdom (288)		128.13	+0.8	108.41	113.32	107.32	108.13	+0.3	4.53	128.00	107.71	113.32	107.31	127.71	178.18	139.87	142.91				
USA (533)		128.39	+0.5	96.38	104.13	96.75	128.39	+0.5	3.85	127.71	96.33	103.94	99.07	127.71	148.85	118.06	142.92				
Europe (862)		138.40	+0.4	103.89	112.25	105.60	105.49	-0.2	4.41	137.83	103.97	112.17	106.92	105.73	157.65	124.91	127.83				
Nordic (112)		170.59	-0.1	128.06	138.35	131.26	130.39	-0.8	2.33	170.74	128.79	138.96	132.44	131.13	223.29	170.59	159.19				
Pacific Basin (654)		128.52	-0.4	96.76	107.77	102.25	106.12	-0.5	3.57	132.98	100.31	108.04	101.01	105.99	192.73	107	188.20				
North America (1610)		128.52	-0.4	96.76	107.77	102.25	106.12	-0.5	3.57	132.98	100.31	108.04	101.01	105.99	192.73	107	188.20				
North America (1610)		128.52	-0.4	96.76	107.77	102.25	106.12	-0.5	3.57	132.98	100.31	108.04	101.01	105.99	192.73	107	188.20				
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